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CABINET

DRAFT WHITE PAPER ON INFLATION

Note by the Secretary of the Cabinet

1. A Group of Ministers, under the chairmanship of the Prime Minister, has been overseeing the negotiations with the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) and also the preparation of the White Paper which has to be published on Friday 11 July.

2. The Group cannot reach final recommendations to Cabinet until after meetings of the CBI and TUC General Council tomorrow, 9 July. The Prime Minister has however directed me to circulate the attached draft of the White Paper so that members of the Cabinet who are not on the Ministerial Group may have a chance of reading it during the course of tomorrow. This is however on the clear understanding that on a number of points, and in particular on the question of reserve powers, the Group has not yet reached final conclusions. Their conclusions will be reported to Cabinet on Thursday 10 July. In the meantime special steps should be taken to ensure the confidentiality of this draft.

Signed JOHN HUNT

Cabinet Office

8 July 1975
1. Inflation is the most serious economic problem facing the country. Our rate of inflation has been much higher in the 1970's than in earlier periods and recently it has accelerated sharply. In common with many countries we have experienced in the past 2 years a big increase in the rate at which costs and prices have risen. Like other countries we suffered in 1972/73 the great increase in the cost of imported food and raw materials and in 1973/74 the even greater increase in oil prices which have cut back what is available to us to maintain and improve our national standard of living. But whereas most other countries have succeeded in bringing down their rates of inflation, we have not. Our prices are 25% above those a year ago. The figures for our competitors are nearer 10%.

2. This is unacceptable. There is a strong belief throughout the country that the inflation must be curbed. The Government is determined to achieve this, and believe they will have the support and cooperation of the whole nation in doing so.

As the Chancellor said in his statement on 1 July,

"A sharp reduction in the rate of inflation is an overriding priority for millions of our fellow citizens, particularly the housewives and pensioners. It is also a pre-condition for the reduction of unemployment and the increase in investment which the Government, the TUC and the CBI all want to see."

3. The Government reject a solution to the problem of inflation which relies on the generation of large-scale unemployment and under-utilisation of our productive equipment. This would be wasteful, socially evil and against our long-term economic interests. But if we continue with pay settlements at levels at and above 25%, we shall not match the performance of our rivals with whom we need to remain in competition if we are to survive. The largest element in our prices, both on the home market and for exports, is the cost, direct or indirect, of domestic labour: in other words, what we pay ourselves. It is the rapid increase in labour costs which now accounts for much the greater part of our inflation.
4. The solution therefore lies in reducing our rate of increase in wages and salaries. The Government, the TUC and CBI are agreed that this rate should be brought down to a level which will ensure that by the late summer of next year the year-on-year increase in prices will be no more than 10%. They have also agreed on the pay limit needed to achieve this objective. This is described in the succeeding paragraphs.

5. The universal pay limit of £6 a week, and the other measures linked with it, are a simple but rough and ready approach to the need for pay restraint, which is appropriate to an emergency situation. The limit rightly gives preference to the low paid in a period of national difficulty. It is not intended to be a long-term approach, and it will be essential to devise more just and flexible arrangements for controlling domestic inflation and preventing any resurgence of present rates of price increase in the future. It will be a long step forward to reduce inflation to 10%, but further efforts will be needed to get down to the rates of our competitors, and stay there.

6. The Government realise that the sacrifices called for will not be easy. This applies particularly to the early months of the policy because of the inflation already in the pipeline. But the alternative is much worse. A continuation of present rates of inflation would gravely damage the social and economic fabric of the nation and threaten us with external bankruptcy. To cure inflation by unemployment would cause widespread misery, industrial strife and the degeneration of our productive capacity. The only sensible course is to exercise pay restraint and to reduce our domestic inflation without sacrificing our long-term economic goals.
8. The Government have said that they are determined to bring the rate of domestic inflation down to 10 per cent by the third quarter of 1976 and to single figures by the end of 1976.

9. To achieve this the TUC have agreed that there should be a limit of £6 per week on pay increases for those with incomes up to £10,000 a year. Those with incomes of £10,000 or over should forego any increase for the present. This is the maximum increase in pay compatible with the objective of achieving the 10 per cent rate of inflation by the third quarter of 1976. The CBI as well as the TUC have agreed to support the pay limit and they, like the TUC, will recommend their members to adhere to it.

10. Annexed to this White Paper is a copy of the guidance which the TUC will be issuing to negotiators. It sets out the requirements which should be observed by those implementing pay settlements over the 12 months from 1 August.

11. Strict adherence to the £6 limit is crucial to the achievement of the objective. If it is not observed the economy will be seriously damaged and we shall all suffer. The Government will ensure strict observance throughout the public sector. Private sector employers will be expected similarly to observe the limit. Furthermore the Government intend to introduce a number of measures to encourage compliance with that limit.

12. The Government have already announced that in line with the limit on pay increases, increases on dividends must be limited to 10 per cent. An Order to give effect to this was made on 1 July. The powers necessary to enforce this limit are already available to the Government but under present legislation they expire on 31 March 1976 and the Government propose to ask Parliament to extend them for a further year. The charges and profits of the self-employed will continue to be subject to the price control.
13. The Government have made and will continue to make every possible effort to achieve the necessary restraint on incomes by consent. They have said that they are opposed to criminal sanctions on work people. It has been amply demonstrated that these don't work. Nor do the Government favour detailed intervention in collective bargaining. They are very glad therefore that it has been possible to reach agreement with the TUC on new guidance to negotiators within the framework of the Social Contract, which is consistent with the anti-inflation target.

14. However, neither the Government, the TUC nor the CBI believe that it would be acceptable if de-centralised collective bargaining were to lead to accelerating inflation. The Government therefore propose to support the guidance given by the TUC to negotiators with effective sanctions. These will include some further powers in the public sector to ensure that they can discharge fully their responsibility for securing observance of the pay limit in that area. They will also take powers, which will be held in reserve and activated only by a fresh vote of Parliament, to introduce legal control over particular employers who do not observe the limit. They expect however that the recommendations made to their members by the TUC and CBI, together with the policy measures described below, will be sufficient to make that unnecessary.
THE PAY LIMIT AND ITS APPLICATION IN THE PUBLIC SECTOR

The Government as Employer

15. The government are directly involved as employer in pay settlements affecting 2 million people. These include the civil service, the national health service and armed forces. In these fields the government will of course ensure that settlements comply with the pay limit.

16. The government will be asking the review bodies for the armed forces, for doctors' and dentists' remuneration, and for top salaries in the public sector, to comply in their recommendations with the pay limit. It will also be necessary to suspend the operation of pay research in the non-industrial civil service for the period of the policy.

Local authorities

17. Local authorities and public transport authorities employ 2½ million people. Within this total the government is directly concerned with pay settlements for teachers and the police. But there is no other major group of local authority employees whose pay comes under direct Ministerial control. Nevertheless it is necessary that local authorities should abide by the policy set out in this White Paper.

18. To this end the government will have discussions with the new joint Consultative Council. It will be a major item in the new approach that rate support grant payable to local authorities will be restricted so that no increase in grant will be payable for expenditure which results from settlements in excess of the pay limit. Moreover legislation will be brought before Parliament to enable the government to restrict payment of rate support grant to individual local authorities which do not observe the pay limit.

19. As regards the rate support grant settlement for next year, 1976-77, the calculation of the grant will be on the basis that pay settlements both in the remainder of this year and in next year conform to the pay limit. No extra grant will be payable either in the main settlement or in increase orders for 1976-77 on account of settlements which exceed the norm. Furthermore the total of grant will be calculated on the basis that there will be no increase in local authority staff beyond present numbers. And no allowance
will be made in any increase orders for 1976-77 for any increase in staff which occur during the year.]

20. In addition the Government will be prepared to use its powers of control over local authority borrowing, including access to the capital market, to reduce the capital programmes of particular local authorities, if this proves necessary to offset any excess expenditure on pay settlements.

21. [Finally, if there is a serious breakdown in the observance of the pay limits by local authorities, the Government will consider taking powers to impose Ministerial supervision on all major local authority pay settlements.]
The nationalised industries

22. The Government intend that the policy should be strictly applied by the nationalised industries, by other public corporations and boards, and by Government-owned companies. To ensure this, the Government are holding discussions with the chairmen of the principal nationalised industries. Together these industries are responsible for pay settlements affecting about two million people.

23. In accordance with this policy, the existing arrangements for financial control and budgeting will be strengthened so as to ensure that no additional funds are made available to these industries in order to finance pay settlements outside the limit. In addition, any element in proposed price increases due to disregard of pay limits will be disallowed in the same way as is intended for the private sector (see paragraph 25 below). Thus, the consequence of any excess pay settlement would be the institution of measures to secure offsetting cash reductions in the industry, which would be bound directly or indirectly to affect employment in the industry.
24. The Government have no direct control over pay in the private sector. But there is a legal price control over most goods and services produced for the home market. Moreover the Government purchases a substantial part of the output of some industries and provide extensive assistance to industry. This gives the Government a number of economic instruments with which to support the pay policy. An employer who adheres to the policy will not suffer but where pay settlements are excessive the instruments will be applied.

The Price Code

25. The Government will not allow firms which make excessive pay settlements to reflect these settlements in higher prices to the consumer. With every application to the Price Commission for a price increase, employers will have to notify details of any pay settlement underlying the application. The Government will advise the Commission whether settlements conform to the limit. Where an employer breaks the pay limit the whole pay increase will be disallowed for price increases. This disallowance, which will require new legislation, will apply even if the employer is covered by one of the low profit safeguards in the Price Code. Similar arrangements will be applied to nationalised industry prices. A consultative document describing the proposed changes in detail will be published shortly.

26. From now on the Government, in handling applications for assistance under the Industry Act 1972, will interpret the national interest as including observance of the pay limit. The Government will not give discretionary assistance under the Industry Act to companies which have broken the pay limit. When it is in full operation the National Enterprise Board, in discharging its duties, will also take these considerations into account.

27. The Government will also take account of a firm's record of observance of the pay limit in its general purchasing policy and in the awarding of contracts.
The Self-Employed

28. Last year self-employed people whose expenses amount to less than 10 per cent of turnover were exempted from the Price Code. They will now be brought back under the Code. A number of self-employed groups who are remunerated from public funds - doctors, dentists, chemists, opticians and subpostmasters - will continue to be outside the Price Code, but in settling their remuneration the Government will take account of the pay limit.
29. The Government trust that the measures described above will be adequate to secure compliance with the policy by private sector employers. As stated above, the Government will be taking further powers to reinforce its ability to secure full observance of the policy throughout the public sector. If however in the case of the private sector the Government were to find that the policy needed to be enforced by applying a legal power of compulsion to individual employers who break the limit, they would not hesitate to do this.

30. In order that the Government should be in a position to do this they propose to invite Parliament to enact reserve powers which, if applied in particular cases, would make it illegal for the employer to exceed the pay limit. These powers would be activated by statutory instrument requiring Affirmative Resolution by both Houses of Parliament if it became clear that the pay limit was being endangered with resultant unfairness to the great majority of those who were keeping to the limit.

OR (in the event of Ministers' deciding to go for reserve powers covering both public and private sector employers)

[RESERVE POWERS]

29A. The Government trust that the measures described above will be adequate to secure compliance with the policy by all employers. If however they were to find that the policy needed to be enforced by applying a legal power of compulsion they would not hesitate to do this.

30A. In order that the Government should be in a position to do this they propose to invite Parliament to enact reserve powers which, if applied in particular cases, would make it illegal for the employer to exceed the pay limit. These powers would be activated by statutory instrument requiring Affirmative Resolution by both Houses of Parliament if it became clear that the pay limit was being endangered with resultant unfairness to the great majority of those who were keeping to the limit.]
PROGRESS OF THE POLICY

31. It is not enough to have a policy. It must be complied with. The pay limit must be given effect in pay settlements and the effect of lower pay increases must be carried through to prices. The Government need to know that this is happening before they can for example take reflationary measures or introduce the special price restraint programme on essentials described in paragraph 38.

32. The Government intend therefore to undertake jointly with the TUC and CBI a regular review of developments in the economic situation in order to determine progress towards the objectives of this policy. For this purpose the parties will need to be accurately informed of the true facts on pay settlements and the Government propose to require notification by employers of major pay settlements. This monitoring will be carried out as an extension of the Department of Employment's existing activities. The pay of 90 per cent of employees is determined by settlements covering 1,000 or more and it is intended to secure information about all such settlements on a consistent basis. [The Government will therefore be seeking compulsory powers to oblige employers to notify the details of intended pay settlements.]

33. Not only will this information serve to keep the Government and the community fully informed of compliance with the policy, it will also be used to support the Price Commission in the disallowance of any excess increases in pay.
PRICES AND THE PROTECTION OF THE CONSUMER

34. The government recognise and share the concern that if pay is restrained prices must also be restrained. They would like to be able to freeze prices but this is simply not possible. At any time there are in the pipeline many increases in costs which are coming through in prices and this is particularly true at present following the big increases in pay and other costs of recent months. It takes time for these costs to affect prices in the shops. Similarly if pay increases are slowed down it takes some time before price increases slow down also. Nevertheless, if pay increases do not slow down, there can never be a slow down in price increases.

35. Although the government cannot freeze prices they intend to take the following measures to keep price increases to a minimum and to protect the consumer.

**Price Controls**

36. The government will continue the present strict price control enforced by the Price Commission under the Price Code. They will legislate to extend the control powers for a further year beyond 31 March 1976, when price control would have ended under the existing law. The price control already ensures that a lower rate of increase in pay is reflected in a lower rate of price increase. However, particularly with present levels of unemployment, the government do not intend to push price control to the point where it would endanger employment and investment.

**Better Consumer Information**

37. The government propose to encourage the expansion of the present network of consumer advice centres in local authority areas to assist consumers who have complaints or queries about particular retail prices in their district. The government will encourage more work on local price comparisons indicating best value for money and accelerate the programme of price display and unit pricing.
Prices of essentials

38. Certain goods are of particular importance in family expenditure, and the effect of inflation here can fall harshly on low-income families. Once the pay limit is being effectively observed, the Government intend to ensure that the rate of increase of prices of a range of such goods will be specially held back. The CBI and the Retail Consortium have indicated that they will be prepared to support the Government's objective and to begin immediate discussions with the Government on how to achieve this.

EITHER:

Food subsidies

39. The present subsidy programme saves over 6p in the £ on food prices and benefits in particular the elderly and others on low incomes. In due course food subsidies will have to be phased out and the Government had intended to start this phasing out early in 1976. The phasing out will not now start during the period of this policy. Meanwhile the amount of money provided for food subsidies will remain at its present level.

Rents

40. Local authority rents were frozen by the Government between March 1974 and March 1975, but increases are now in the pipeline because of earlier increases in pay and other inflationary costs. In the Government's view it would be wrong to attempt to delay these increases. The costs would just have to be borne in other ways by the ratepayer or taxpayer. What we must now do is to tackle the problem by breaking into the sequence of large pay increases followed by large rent increases.
Food Subsidies

39A. The present subsidy programme saves over 6p in the £ on food prices and benefits in particular the elderly and others on low incomes. The Chancellor of the Exchequer announced in the April Budget that it would be necessary to phase out the food subsidies over a period, starting early in 1976. As a contribution to protecting the living standards of low income families and the pensioners during the period of the policy the Government propose to spend [£70 million] more on food subsidies during 1976 than the amount provided for in the April Budget.

Rents

40A. Local authority rents were frozen by the Government between March 1974 and March 1975, but increases are now in the pipeline because of pay increases and other inflationary costs. During the period of the policy the Government propose to limit rent increases so that rents do not rise faster than prices generally. This will mean that on average rent increases next spring should be of the order of 60p per week rather than £1 a week or more. The Government will provide an extra £30 million to meet the cost of this.

NOTE: Ministers in MSC 91 recommend that the total new expenditure on food/rent subsidies under these paragraphs should not exceed about £150 million in 1976-77 in view of the general public expenditure/public sector borrowing requirement position. Paragraphs 39 and 40 concentrate the whole sum on food subsidies: paragraphs 39A and 40A divide the sum between food and local authority rents.
Nationalised industry prices

41. It has been necessary to make particularly steep increases in nationalised industry prices this year because most of the industries were deeply in deficit. The phasing out of these deficits is not yet complete. However, the substantial progress already made, and the fact that the pay limit provides for a lower rate of pay increase, together offer good prospects that the rate of price increase in the nationalised industries as a whole should be markedly lower next year.

Import costs

42. We must do all we can to keep down costs and prices which are within our own control. Some prices, like the cost of imported oil, food and raw materials, are not within our control however. A big increase in import prices would impose on us a further reduction of our standard of living and it would then take longer for this policy to achieve our inflation target.
DEMAND MANAGEMENT

43. It is essential that the policy set out in this White Paper should be associated with an appropriate policy for demand management. The substantial current account deficit, and the very large imbalance in central government financing, superimposed on the recent very rapid rate of domestic price inflation, together leave the Government no other alternative than to pursue a cautious demand management policy. Expansion of the economy, when it comes, must be based on greater competitiveness of United Kingdom firms in world markets, and on the assurance of adequate resources for investment without the risk of demand pressures in particular sectors once more giving a stimulus to inflation. Deliberate action by the Government to increase domestic demand by boosting consumption levels, in advance of the achievement of the inflation target and of a soundly-based external position, would be to repeat the policies of 1973. The Government are determined to avoid a repetition of past mistakes, and will set their demand management policy to ensure that the growth of the economy in the medium term is founded on a proper allocation of resources to exports and investment.

44. As the Government, the CBI and the TUC have constantly stressed, the United Kingdom must have an adequate level of productive investment, on which our future living standards depend. If we are to secure this, we must be ready to pay for it. In a mixed economy profits are the main way of financing investment in the private sector. But in 1974, profits were at historically low levels, and the real profits retained by companies were less than that needed just to finance the replacement of existing capital equipment and to maintain adequate stocks and work in progress. Accordingly the Government will take account in formulating its taxation, monetary and prices policies, of the need to avoid any deterioration in the prospects for future investment and employment.
45. A particular feature of the present situation is the need to contain the demands on resources made by the programmes of public expenditure. The Government are engaged in reviewing public expenditure in the medium term as a matter of urgency, with a view to securing a continuance of the reduction of the public sector borrowing requirement, which was initiated in the April budget.

45A. However, as the Chancellor indicated in his statement on 1 July, the recent rate of inflation has emphasised the need not only to limit increases in money earnings throughout the economy, but to look more carefully at the cash requirements of the public sector. The present system of planning and control of public expenditure puts the main emphasis on the volume of resources used rather than the cash cost and has substantial advantages, especially for control in the medium term. However at a time of rapid inflation, and with important changes in relative prices, this system needs reinforcing in appropriate programmes by placing a limit on the amount of money which the Government are prepared to pay in the year ahead towards the purchase of the planned volume of resources.

46. Cash limits already apply to a number of services financed by central government and they were recently extended to several construction programmes in central and local government. They are not a suitable method of controlling services such as social security benefits where expenditure must depend on the rate of benefit and the number of claimants. But there is a range of expenditure where they can impose greater financial discipline and precision, and where they can contribute to countering inflation by making it clear both to programme managers and to suppliers that the Government's purchases of goods and services will have to be cut back if prices rise too high. Experience with the programmes to which cash limits already apply have shown that their application needs careful preparation to be effective. Work is in hand to bring about the more extended use of cash limits in 1976-77.
Monetary Policy

47. The Government do not accept that the growth of the money supply in the past year and a half, which has been moderate, has been a factor in accelerating our rate of cost inflation. It will however be important to ensure that in the period ahead the price targets which we have set ourselves are not endangered by too loose a control over the expansion of bank credit. The Government will therefore, by the appropriate use of the instruments affecting monetary factors, take whatever steps are necessary to keep the growth of the money supply under firm control. At the same time they will, though the Bank of England's guidance to the banking system, see that priority in lending is given to the essential sectors of the economy.
CONCLUSION

49. The Government seek the support of the nation in breaking the inflation which threatens our economy. The measures the Government, the TUC and the CBI are taking are designed to last right through the next pay round until price inflation has been brought down into single figures and we have reached agreement on how to arrange our affairs so as to avoid a resurgence.

50. This is a plan to safeguard the standard of living. If we don't work together to achieve it we shall get more unemployment, more social injustice, less investment, less public expenditure, less control of our own economy and our own destiny, more restrictions on us through distrust of our economy overseas. If we do achieve it, we can look forward once again to a steady improvement in living standards.
This section may consist mainly of a reproduction of TUC guidelines from a TUC document. What follows is what would be contained in the document if the guidelines were established not by the TUC but by the Government.

The Government requires negotiators to apply the following guidelines in pay settlements coming into force on or after 1st August

The Pay Limit

2. Increases in pay in the period should be limited to £6 a week per head for each full-time adult employee. Increases to part-timers and juveniles should be pro rata.

3. Negotiators may average the £6 per head among a negotiating group so as to apply it in a way which preserves any existing pay structure recognised as equitable, but wherever possible the increase should be applied simply in a flat rate form. The increase should be applied as a straightforward supplement to earnings and should not flow through to overtime and other premium rates. The limit of £6 per head represents the total increase however earnings are determined.

High Incomes

4. Those whose incomes are at the level of £10,000 or more a year should receive no increase at all.

The 12 month Rule

5. The 12 month interval between principal pay increases must continue to apply, and no group should get any improvements less than a year after their previous increase. Negotiators should not advance their anniversary dates and settlements reached in accordance with these guidelines should continue for the following 12 months.

Other Improvements in Pay and Conditions

6. Negotiators would be expected to offset other improvements in pay and conditions against the pay figure except as set out below.

7. Equal Pay. The government remains committed to the achievement of equal pay by 29 December 1975 and improvements in pay and conditions to secure conformity with the Equal Pay Act will be allowed above the
Occupational Pensions. Improvements in occupational pensions will be allowed above the pay limit.

8. Hours and Holidays. Reduction in standard working hours may also be made outside the pay limit if they reduce working hours to not less than 40 hours a week (net of meal breaks). Where however there has been an agreement to increase hours to more than 40 a week that agreement must stand. Similarly, improvements in holidays may be made outside the pay limit provided that they do not increase the total holiday entitlement to more than the equivalent of 3 weeks a year (not counting occasional or public holidays or rest days taken in lieu of weekends or overtime). The cost of making any other reductions in hours or holidays must be set against the pay limit.

Personal Increments

Personal increments of wage for age scale increases may continue to be paid provided that the incremental arrangements are such that they normally involve no overall increase in the total pay bill from year to year. No increases in the amounts of increments, or other improvements in incremental scales should be given.

Particular Methods and Systems of Payment

10. National, local and plant increases. Where settlements may be concluded at more than one level, eg. where a national settlement may be supplemented at local or plant level, the total increase in pay should be kept within the pay limit.

11. Payment by Results. Increases in the earnings of employees who are paid under any scheme of payment by results, including piecework and commission payments, or under an arrangement linked to such a scheme, should not exceed the pay limit. This restriction does not apply, however, to increases in pay arising from direct and measurable contributions by employees to increased output under a scheme which was in operation before 9 July 1975 and the terms of which have not been changed.

12. Productivity and Restructuring Schemes. No productivity or restructuring scheme should be implemented unless it has been agreed before 7 August 1975 or any increases in pay under the scheme are found within the pay limit for the group concerned.
FORMS OF PAY DETERMINATION OTHER THAN NEGOTIATION

13. Comparability exercises. The pay limit must override systems of pay determination based on historical comparison with other groups. This will entail, for instance, the suspension for the period of the system of pay research in the civil service and the government will invite the Pay Review Bodies for Top Salaries, Doctors and Dentists and the Armed Forces to frame their recommendations in accordance with the policy.

14. Wages Councils. The government will similarly expect the Wages Councils to abide by the requirements of the policy.

15. Arbitration. The pay limit should apply to all settlements whether reached by negotiation, conciliation, arbitration or by other methods of pay determination, whether statutory or otherwise. The government hope that, where employers and unions have difficulty in reaching agreement on pay increases which are within the pay limit, they will consider the possibility of conciliation or arbitration under their existing arrangements or through ACAS. But the parties concerned must accept responsibility for settlements which emerge from arbitration and for keeping them within the new pay limits.

Transitional Arrangements

16. This policy will apply to all pay increases effective on or after 1 August. This may however give rise to inequity in a few cases where groups have been expecting shortly to conclude agreements under the existing TUC guidelines, not having had a pay increase since the statutory controls ended in July 1974.

17. As a transitional easement therefore the government accepts that:

   a. agreements concluded and brought into force after 1 July for annual operative dates up to and including 1 September should not be subject to the new pay limits, provided that such agreements are in conformity with a firm offer made by the employer and attested in writing, before 1 July; and provided that the group has not had a principal pay increase in the preceding 12 months;

   b. arbitration awards may be implemented in full if the formal reference to arbitration was made before 1 July. Similarly
Wages Councils' and Agricultural Wages Boards' proposals agreed at meetings held before 11 July may be implemented;

c. any group which was due an increase before 11 July, not having had a principal increase in the preceding 12 months, and which accepts an offer from their employer for an increase in accord with the current TUC guidelines to take effect on or before 1 September, should not be subject to the new pay limit.

Prior Commitments

18. A number of collective agreements made during the current pay round includes specific commitments for pay increases over the coming 12 months in the form of staged increases or annual settlements made in advance for dates after 1 September or threshold payments. The new pay limit should be applied to employees covered by these agreements as to all other employees in order to avoid unfair discrimination as between one group and another.

19. The government therefore intend that where, under existing agreement, further increases are due to be paid at any date after 1 August they should be limited in their total amount to what would be due to the groups concerned under the new policy. This means that:

a. any part of a staged increase above the new pay limit should not be paid; and if the increase were at the limits allowed by the policy no further increase should be paid during the following 12 months;

b. the same provision as a. should apply to any principal settlement for an operative date after 1 September which has already been concluded;

c. threshold payments may continue to be paid in accordance with the current agreements but any made after 1 August should count against the groups pay limit for the new round and, if the threshold payments reach the level of the pay limit, no further payment under the threshold agreement or any principal increase should be paid for the subsequent 12 months.
Attached is the concluding section of the document on the development of the social contract approved by the Trades Union Congress General Council this morning. Pages 4 to 6 are likely to replace the Annex to the draft White Paper circulated under cover of C(75) 76.

Signed  JOHN HUNT

Cabinet Office
9 July 1975
III THE COMING YEAR

It was against the background of last year's experience that the General Council decided in May to draw up this new statement on the Development of the Social Contract. They decided in particular that it would be important for the coming year to set specific targets for pay, prices and employment, and on other major factors in the economy so that it would be possible to carry conviction that these targets would be achieved.

The TUC-Labour Party Liaison Committee also considered the situation and recognised the urgent need to project to the Movement the need for a concrete programme for bringing down the level of inflation. A price target would need to be backed up by subsidies where necessary with an accompanying deceleration in the level of wage increases. An agreed counter-inflation programme would provide the foundation for renewed economic growth and a move forward in living standards for the future.

At their June meeting the General Council considered the first draft of this report, and they defined six major points to be drafted more specifically for the report to Congress and these are as follows:

(i) A price target to be achieved by the middle of 1976 should be set;

(ii) A figure for pay, related to the achievement of
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At their June meeting the General Council considered the first draft of this report, and they defined six major points to be drafted more specifically for the report to Congress and these are as follows:

(i) A price target to be achieved by the middle of 1976 should be set;

(ii) A figure for pay, related to the achievement of this target, would be set and unions would be expected to settle on the basis of that figure, in the form of a flat-rate money increase to be universally applied.
Consideration will be given to situations where special problems may arise, and to the possible use of arbitration in this connection:

(iii) Recipients of very high incomes should forego further increases or accept reductions;

(iv) Radical action should be taken to limit price increases, and secure absolute reductions where practicable, involving the more rigid applications of the Price Code, the use of subsidies where appropriate and action at the High Street level;

(v) The objective should be set in 1976 of securing a major reduction in the level of unemployment; and

(vi) The maintenance and development of the Social Contract as the fundamental basis of continuing unity between the trade union Movement and the Labour Government.

4 On July 1, following considerable pressure on the pound, the Chancellor of the Exchequer made a statement in the House of Commons emphasising the need for urgency in reaching agreement with the TUC and CBI about measures to drastically reduce inflation. He said that

"We are determined to bring the rate of domestic inflation down to 10 per cent by the end of the next pay round and to single figures by the end of 1978. This means the increase in wages and salaries during the next pay round cannot exceed 10 per cent. The same limit is being set for dividends."

5 "We propose to fix cash limits for wage bills in the public sector and will take action through the Price Code to encourage compliance by private employers."
The Government welcomes the efforts the TUC have already made to arrive at a plan for lower pay increases in the next round. We would much prefer to proceed on the basis of a voluntary policy agreed with the CBI and TUC. But a voluntary policy will not be acceptable to the Government unless it satisfies the targets it has set for reducing inflation and includes convincing arrangements for ensuring compliance. If, however, no agreement can be reached which meets these conditions, the Government will be obliged to legislate to impose a legal requirement in both public and private sector employers to comply with the 10 per cent limit. The Government will announce its decisions in a White Paper to be published before the end of next week."

6 The following day at the meeting of the NEBC, the Chancellor made a further statement that "the Government was totally opposed to the application of criminal sanctions against workers or unions."
1. Adopting a flat rate approach, fixing the pay limit at 10% would give £6 a week to all full-time adults (aged 18 and above) up to a cut off point, with pro rata payments for part-timers and juveniles. A flat rate approach has the advantages of focusing increases on the low paid and preventing unduly large cash increases being obtained by the high paid. It is clear and simple, most emphasises the General Council's view about the gravity of the economic and industrial situation, and cuts through the complication of separate provisions for particular groups which, via comparability claims, had helped to weaken the previous policy. The General Council therefore conclude that there should be a universal application of the figure of £6 per week. The TUC will oppose any settlement in excess of this figure.

2. The General Council fully appreciate the problems which may arise from interfering with differentials based on skill and responsibility, and emphasise that this is a temporary policy put forward for the coming year to arrest the inflationary process, prevent massive unemployment and enable the Labour Government to carry out its industrial programme. It is certainly not envisaged as a permanent policy for continually eroding differentials either between or within negotiating groups.

3. The policy will operate from the beginning of the next pay round, which is about August 1. Those who have settlement dates before then should settle within the existing guidelines. There should be no anticipation of their normal settlement date by other groups.

4. Given problems arising from the fact of different pay structures, the cash amount should be applied as a straightforward supplement to earnings. This should be the total
increase over the year however the earnings are determined. The policy will entail the temporary suspension of systems of pay determination based on traditional links in the private and public sector, and the suspension in particular of civil service comparability exercises. Already established incremental and wage-for-age scales are payable provided that this does not raise the overall wage bill by more than £6 per head. The General Council would, if it is considered necessary, agree to legislation to relieve employers of contractual obligations which would compel them to increase pay above the limits set out in this document. This is necessary to enable this policy to be applied voluntarily in every case.

5 The twelve month interval between major pay increases must continue to apply. This rule means that when a new settlement is negotiated thereafter, it should be on a flat rate basis of £6. Where current agreements provide payments in the 12-month period, any new agreement should ensure that only the balance between the amount paid and the £6 should be applicable in the period up to August 1, 1976.

6 However, final steps towards the attainment of equal pay for women by the end of 1975, in line with the equal pay legislation and TUC policy objectives, will be in addition to the £6 figure.

7 Negotiators will be expected to offset any improvements in non-wage benefits against the pay figure. In this period of high unemployment, negotiators should of course continue to give priority to improving job security.

8 In the current situation there may be understandable pressure for work-sharing arrangements. To be effective these must take the form of a cut in actual hours worked
per employee. They should not be used as a method of obtaining a disguised increase in incomes out of line with the pay limit. Negotiators should therefore give priority to securing actual reductions in hours, and to reducing normal hours to 40 in sectors where this has not been attained. The 35 hour week remains a longer term objective.

9 There may be isolated instances of negotiators experiencing difficulties in applying or observing the pay limit, the existence of any such difficulty does not remove from negotiators and their executives the responsibility of doing all they can to ensure that the limit is observed. Where unions and employers both agree that there is a serious difficulty, they can make a joint submission to the TUC and the CBI, who will jointly examine the problem and determine whether this should be submitted to ACAS for arbitration.

10 In this process of reducing the rate of inflation, the more prosperous can more easily bear the burden of helping the economy and should be prepared to take a cut in their current standards of consumption; those with incomes over £7,000 a year should forgo any increase in their incomes in the present period of difficulties. The Government should apply this principle in the public sector. Top pay review bodies will need to take this fully into account. And unions will be looking for a definite response from executives in companies with whom they negotiate.
Prices

Pr 1 The General Council welcomed the fact that the Prices Secretary reduced the profit margins of retailers in her major autumn review of the price code in the spring of 1974 and resisted the demands from industrialists that the price code should be abolished. Nevertheless the General Council are concerned that not enough is being done to control prices or win public confidence in the present system.

Pr 2 As the rate of inflation is brought down substantially, real national income can begin to grow again, and living standards as a whole and employment can be maintained. For this reason the General Council believe that a price target to be achieved by the middle of next year should be set. The aim should be that the Retail Price Index by Autumn 1976 will be less than 10 per cent above the figure a year earlier. This will mean that from this September onwards the figures for the RPI increase over the past year will gradually decline from the present level of 25 per cent to a figure of 10 per cent some time next year. This means that the monthly rate of increase in the RPI can be expected to fall over the period well below present rates to less than 1 per cent a month.

Pr 3 The achievement of this target will require action on a number of fronts. With the combination of a lower rate of wage settlements and favourable factors such as constant or falling import prices it is essential that lower cost increases are reflected in lower price increases by manufacturers and distributors. The Price Code involves not only the control of prices but the control of profit margins.
As the economy expands to meet the expected increase in world trade and turnover increases it is essential that the Price Code does not operate in such a way as to cause a big increase in absolute profits.

Pr 4 In order to encourage compliance by employers with the policy the General Council would support an amendment to the Price Code which will disallow wage increases above the pay limit being passed in price increases. In effect the productivity deduction should be increased from 20% to 100% for all increases above the pay limit. In order not to penalise firms and sectors with below average wages the pay limit for the firm should be taken as equivalent to £6 times the number of workers in that firm rather than 10 per cent of the total pay bill. The Government have indicated that they may need to take measures to allow all wage increases to be disallowed for price purposes if firms pay above the limit.

Pr 5 The lower rate of wage increases and a faster growth in the economy will also allow a higher level of productivity deduction for wage increases up to £6. In the past pay round firms have had to absorb a fifth of wage increases. As these have been around 25 per cent firms have had to absorb 5 per cent of the wage bill instead of passing it on in prices. Keeping the productivity deduction at one fifth once wage increases reach the ten per cent level would mean that firms would only have to absorb 2 per cent of the wage bill. To increase the productivity deduction to one half would maintain the figure of 5 per cent. The increase in the productivity deduction from one fifth to one half should be seen as a direct way of breaking into the price and wages spiral.
Special measures might need to be taken to encourage compliance by highly capital intensive firms, and a much higher general level of productivity deduction is needed anyway for these firms. Companies which export a high proportion of their products might be able to escape the financial sanction of the 100% productivity deduction, though such companies will be subject to heavy international competitive pressure as world trade increases. Extra effort will be needed from the Price Commission to ensure that small firms in manufacturing and distribution who are only subject to spot checks are not excluded from the new arrangements. A number of other measures outside the Price Code might also wish to be considered, for example the withholding of aid under the Industry Act.

The self employed should also be covered by the flat rate approach. All self employed people should be subject to Price Commission control over their net profit margins. This means that the Stage 4 concession to small traders must be reversed. In addition, and in the interests of social fairness, the self employed should be subject to a ceiling on profit increases. The self employed should also be subject to the cut off point of £7,000 per annum. Part of the overall approach is that dividend control should continue and the Chancellor has already imposed a 10 per cent limit on dividends, instead of the previous 12 1/2 per cent limit.

Subsidies

The role of subsidies needs to be examined further as
the present food subsidies have had a very marked effect in helping the low paid and the pensioners. The benefit conferred by food subsidies is nearly four times as great proportionally for the low income household as it is for the highest income group. In helping to prevent price increases and subsequent wage increases food subsidies have more than paid for themselves. Under current economic conditions any reduction in the level of food subsidies should be viewed with concern as adversely affecting income distribution and cost inflation. For these reasons the General Council will be looking to the Government to rescind their decision to cut food subsidies by between £150 and £200 million in the coming financial year.

Par 9 One vital requisite for a successful price control policy is a public understanding of that policy and how it bears on everyday purchases. The General Council recognise the efforts made by the Government in controlling prices, but more needs to be done, not least in explaining to the average shopper the prices policy.

Par 10 In particular, an intensified effort needs to be made at shop level, through the publication of price lists, unit prices and price range orders, which can all help the shopper. Over the past year the TUC has been encouraging trades councils to press their local authorities to set up high street consumer advice centres. Trades councils have been actively pursuing this, but on many occasions local authorities have replied that they have insufficient funds to set up such centres.
There are now 60 consumer advice centres in the High streets of Britain. In March 1974 there were only 5. Another 30 are due to open by the end of the year but extra financial help from the central Government is needed as many local authorities have shelved plans for these centres. Only a small injection of central Government money, perhaps £1 million, to help local authorities set up these centres could reap very substantial rewards in terms of public confidence in the price control system.

The General Council welcome the introduction of price range lists in the shops for the subsidised goods. Massive publicity is needed in the national and local media to tell the shopper about the valuable new information to be gained from these lists, and the price range lists themselves should be prominently displayed in the shops.

However what would be most valuable to the shopper is to have up to date information about prices in a particular shopping area. In the light of the surveys carried out at Southend, Glasgow and Bury, the Government should now make a massive effort to establish weekly price monitoring in all major shopping areas of the country. Each week the prices of about 30 key grocery items together with prices of some standard quantities of fresh foods should be collected by local government officials working in conjunction with local consumer groups. The Department of Prices and Consumer Protection should ensure that adequate funds and manpower resources are available. The TUC would encourage trades councils to take an active part in the surveys and the publication
of the results.

Pr 14 The aim would be to present to the shopper the individual prices of key goods in all the main shops in a locality together with a total showing which shop offers the best value both for branded goods and own brands. The result should be published in local papers, displayed in high street consumer advice centres, local authority offices, post offices and libraries and other forms of publicity should be tried. The Government should also consider whether the shops themselves should display the comparative price information.

Pr 15 In addition every pub should publish price lists which would help to put a stop to overcharging. Instances of this have been brought to light by West Midlands Trading Standards Officers.

Pr 16 Unit pricing - i.e., compulsory labelling of goods with the price per unit of weight - also should be greatly extended in order to give the shopper a better idea of value for money.

Pr 17 Further measures may well be needed to bring home to people that the rate of inflation can be reduced in the coming year. The Government should aim to ensure that maximum advantage is taken of seasonal falls in fresh food prices. A special price restraint programme should be concentrated on the key items of particular importance in the expenditure of families.
Although prices charged by manufacturers are controlled, distributors are controlled by their gross percentage margins. The Government should take steps to ensure, possibly through agreement with manufacturers and distributors, that the benefits of a lower rate of cost increases are brought through in actual shop prices as early as possible and that the benefits are concentrated on the limited range of key products. Much greater imagination is needed in the system of price control. The Government might well look to foreign experience. In France, for example the Government has inspired price cuts in school requirements in the Autumn. Similar action in this country and action on children's shoes and clothing would help in maintaining public confidence in the price control system. If the Government is unable to get agreement with manufacturers and distributors, the TUC would favour a six-months gap between price increases.

Pr 18 The General Council recognise the substantial progress made by the Government in increasing rent subsidies. Total subsidies for the present financial year are forecast at £1,200 million, compared with £736 million in 1973/74 and only £500 million in 1972/73; despite the rate of inflation this represents a very sizeable real increase. However the Government have announced that housing subsidies are to be cut by £65 million in 1967/77. The General Council will be looking to the Government to at least maintain the level of housing subsidies, and if possible these should be increased next year. This could well be accomplished by a cut in the arms bill.
Employment

E1 On present trends the level of unemployment may soon near the one million mark and rise even more through the coming winter. If the rate of inflation can be brought down and if the economy can expand through high investment and exports, then this will have a beneficial effect on the level of employment. The General Council believe that the targets for pay and prices have to be related to an objective for employment. They believe that the aim should be to secure a major reduction in the level of unemployment in 1976.

E2 It is vital that the fastest possible progress should be made in introducing the Temporary Employment Subsidy. At present it is proposed that TES should only operate in the Development Areas. While recognising the problems of the regions, it is important to realise that the problem of firms dispersing skilled work forces in the present recession and not being able to recruit them again when the upturn in economic activity comes is one which goes wider than the Development Areas. The TES should therefore be extended. The subsidy will be especially important for those firms who will be best able to take advantage of the upturn in world trade. Trade unionists should play a part in the administration of the TES.

E3 There is need for monitoring the employment situation and the General Council will be looking to the Government to take appropriate action, as and when necessary, in the coming year to ensure that the aim is met. A reduction in the rate of inflation will greatly strengthen the Government's ability to take direct action through public expenditure. The level of employment and unemployment is one of the factors which should be monitored by the TUC and Government. To ensure that a planned reversal
of the unemployment trend does in fact occur will entail a higher target for economic growth - in the region of 3 per cent - as it is likely that productivity will be rising at this rate. Nor can it be ignored that it is the rate of growth of output and productivity which will determine Britain's place in the international league table of living standards. The Chancellor should therefore be prepared to take selective measures by the Autumn to meet this growth target.

E4 In line with monitoring of the employment scene at national level there should also be monitoring at sector level through EDCs, and at company level through planning agreements in which manpower planning will be a key part.

E5 In a period of high unemployment the Government should improve the operation of the various national insurance and supplementary benefit rules, and remove the unfairness with which the existing rules operate against those on short-time working.

E6 The level of unemployment depends mainly on the level of economic activity. However, the Manpower Services Commission can play an important role in examining structural unemployment problems and it should have adequate resources to meet priorities such as developing work creation schemes, in particular to relieve unemployment among young people. A number of selective measures are currently being carried out by the MSC including the expansion of the Employment Services Agency, the training award scheme, special assistance to the construction industry, special schemes for assisting redundant apprentices, the expansion of the TOPS scheme, and new forms of training for young people. A number of other measures could also be quickly introduced. These include improved mobility allowances for the Employment Transfer Scheme, Training Contracts providing finance for employers whose
young workers have completed a training award, the MSC's work creation scheme, which could provide 15,000 places a year, and a selective recruitment subsidy for certain groups such as young workers.
Social Contract

S1  Achievement of the wider objectives of the social contract will all be assisted by agreement on any effective counter-inflation programme. These wider measures are, in turn, vital to the continuing support for the general conception within the trade union Movement.

Investment, Planning Agreements and Industrial Democracy

S2  Despite the public expenditure cuts which have been announced for 1976-77 public investment is forecast to grow by 2 per cent between the first half of 1975 and the first half of 1976. On the other hand private fixed investment is forecast to decline by 4 per cent. The continuing fall in private fixed investment underlines the urgency of the new industrial legislation which the Government is introducing.

S3  The General Council hope that the fullest use will be made of the new industrial powers presently being legislated for, and the negotiation of planning agreements with major companies will be a priority. In this context progress in establishing a National Planning Centre would help bring together trade union representatives, managers and civil servants to study the best methods of implementing planning agreements and improving the performance of British industries. The nationalisation legislation for shipbuilding, aircraft and the BNOC should proceed as quickly as possible, and there will be a need to extend public ownership through the NEB. Major legislation on industrial democracy, based on trade union organisation, is a further key priority for the next year in order to extend the concept of joint planning and control to all the levels of the economy.
A policy of greater public direction of private investment should be specifically related to the employment objective. In Sweden spending by the Labour Market Board accounts for 8 per cent of total government spending; in contrast in the UK spending by the MSC is just over 0.6 per cent of total government spending. However in Sweden the Labour Market Board controls the release and direction of funds in the Investment Reserve Scheme. The TUC has already suggested in the 1975 Economic Review the adoption of a blocked investment balance system similar to that operating in Sweden.

A policy of greater direction of investment also requires greater control over the financial system. The system of Competition in Credit, although much modified since its inception in September 1971, has had a deleterious effect on the steering of funds into manufacturing industry. Between November 1970 and May 1974 total bank advances to manufacturing industry rose by 24 per cent, but advances to finance companies rose by 71 per cent, and advances to property companies rose by 80 per cent.

Greater efforts need also to be made in controlling flows of capital overseas and in attracting inward investment providing that safeguards are met. Special attention should be paid in planning agreements to any plans by firms to invest overseas.

Import Controls

Despite the welcome improvement in the balance of payments the level of imports, particularly of sensitive manufactures, is still causing concern. The importation of certain goods such as textiles, clothing, footwear, glass, electronics and motor cars is having a serious effect on
employment levels in the UK. Evidence of dumping of some of these commodities is clear and the Government should not hesitate to act in these cases. There is also a case for introducing more widespread import controls on manufactured goods as a temporary measure until the economy begins to expand again. Imports should be covered in planning agreements and should also be one of the information disclosure provisions in the Industry Bill.

Social Wage

As part of the pay, prices and employment policy the General Council will be looking for further improvements in the social wage to meet particular needs such as extra help for the disabled, a generous level of child benefits, and educational priorities such as nursery school provision, day release and adult education. One of the most important parts of the social wage is pensions. Already the Government have announced a £2.70 increase for a married couple. The General Council will be looking for subsequent early reviews to maintain the real level of pensions in relation to average earnings/ Defence cuts have already been announced which will help allow increases in the social wage within total public expenditure, but more should be done in this connection, whilst bearing in mind the employment implications.
IV IMPLEMENTING THE CONTRACT

1 It is not sufficient for the trade union movement at Congress to give formal endorsement to a report of this kind.

2 Just as important as the formula itself is winning its acceptance by members and their negotiators. There is therefore still a major job for everyone to do in ensuring that this understanding is disseminated to the ten million trade unionists. Ultimately, the narrow wage and salary aspects will only be seen in their perspective by the mass of trade union membership if they too have comprehended what it is that the trade union movement is endeavouring to achieve. There must be a far greater degree of association in the future between trade unionists themselves and the Congress position. There has to be an identification and a commitment to the action to follow.

3 Many trade union leaders themselves may unwittingly give the impression that the social contract is something which concerns the Government and concerns the TUC but does not concern and involve them personally. There can be no failure of the social contract if there is an identification by trade unionists themselves, and by all members of the Government as well. The social contract will succeed provided that union members feel this sense of identification and association. Without the understanding, support, commitment and action on the part of trade union members, the TUC can achieve little.
Establishing a Consensus for Action

4 Unions should act to secure acceptance and involvement at all stages via the normal processes of policy formulation - branch discussions, conference debates and pre-negotiation meetings. It is intended that this policy statement on the development of the social contract should be given the fullest possible circulation to, and discussion within, trade unions down to branch and shop-floor level, prior to full discussion at the September Congress. Union policies on collective bargaining should be formulated in the light of this statement and of branch discussions on it. Where necessary, union executives will need to meet and review previous Conference decisions in the light of the new situation. The implication is not that existing union objectives will be removed, but that in the present period of difficulties they will be deferred, and their attainment phased in with the exigencies of the current situation.

Joint monitoring of developments in the economic situation—output, employment, investment, prices, dividends and pay—against policy objectives will be carried out by the TUC, the Government and the CBI. For this purpose the TUC will consider with the CBI arrangements for the collection of relevant information about pay settlements.

An effective joint publicity campaign involving the TUC, the Government and the Labour Party will be set up to get the message across to the membership on the shop floor and to the general public and secure their involvement in these objectives.
CABINET

ALLOCATION OF RESOURCES IN THE MEDIUM TERM

Note by the Secretary of the Cabinet

I attach a paper, prepared in the Treasury, on the allocation of resources in the medium term. It is for consideration by the Cabinet at their meeting on Monday 14 July.

Signed JOHN HUNT
ALLOCATION OF RESOURCES IN THE MEDIUM TERM

Note by the Treasury

Introduction

1. This note discusses the allocation of national resources in the period towards the end of the present decade. It is intended as a background to the discussion by the Cabinet of priorities in the public expenditure programme which is to take place on 25 July. It does not purport to be a presentation of economic strategy over the intervening period. The figures are derived from a provisional version of the new medium-term economic assessment (MTA).

2. The two main problems for economic policy now are the high rate of inflation and the balance of payments deficit. Policies for resource allocation must be consistent with bringing inflation permanently under control and with solving the balance of payments problem.

3. In preparing the assessment assumptions have had to be made on a number of matters on which there is great uncertainty. In particular, it is assumed that we shall be able to find a way through our unprecedented problems on the inflation front without suffering grave disruption of economic progress. In fact the chance that such disruption will occur is by no means negligible. In past medium-term assessments it was possible to assume that although there might be some tendencies to inflation these were not so powerful or so disruptive as to throw into doubt the assumption that normal economic progress would continue. In present conditions such an assumption is
no longer safe. Persistent inflationary tendencies may force the Government to adopt policies of demand management which are definitely more restrictive than before; both in this way and through its effects on business confidence the inflation may lower the level of investment and the underlying rate of improvement of productivity. It is not a matter of the economy 'collapsing' but of a possible period of low growth extending over the whole of the time with which we are concerned. The figures presented below do not take account of this possibility, they rather assume the continuance of established trends in the accumulation of productive capital and the growth of potential output per head. In present circumstances there is clearly a certain optimistic bias in this way of proceeding.

The growth of production

4 The main factor determining the size of available resources in the medium-term future will be the growth of total production (the Gross Domestic Product, GDP). A further factor which can sometimes be very important is the movement of the terms of trade: this is considered below under the heading of the balance of payments.

5 Future GDP will in turn depend partly on the rate of growth of productive potential, i.e., roughly the level of output at full employment; and partly on the extent to which that potential is utilised, which may be broadly indicated by the rate of unemployment.

Productive potential

6 The labour force, which is one basic element in productive potential, is practically stationary in size; the effective factor is therefore the underlying movement of output per head.
Although the recent short-term movement of output per head has not been favourable, the MTA assumes that over the medium term there will be a rise on the same trend as has been observed over a fairly long period in the past. This yields a rate of growth of productive potential over the MTA period of just under 3 per cent per annum.

Capacity utilisation

7 It is the task of the Government's management of purchasing power to control the loading of demand on the nation's productive potential. At present the management of demand is severely constrained by the high rate of inflation and the large external deficit. A high and rising level of unemployment has had to be accepted for the time being. It is an essential assumption underlying the MTA that in the medium term we shall find ways of eliminating the balance of payments deficit and of reducing the rate of inflation. Given this assumption it is reasonable to expect some easing of the present constraints on demand management and to postulate a higher level of use of the nation's productive potential (i.e., a lower level of unemployment) in the future period than we have now or can expect to have in the coming months. The Government's objective will be to restore and then maintain full employment, but past experience strongly suggests that it would be unwise to plan resources on the basis that in the medium term departures from full employment can be wholly avoided. The appropriate unemployment assumption for the MTA is thus the level which we can be reasonably confident of maintaining on average over a run of years. There can be no certainty in such a matter; we have to make a reasonable selection from the rather wide range of possible outcomes, which will be heavily influenced by world forces and by the success of the anti-inflation policies at home. The MTA has assumed for the end of the period a level of unemployment similar to what it has been on average over the last five years, namely, 3 per cent.
8 On the basis of these assumptions, and subject therefore to the reservations in paragraph 3, the rate of growth of GDP from 1974-79 works out at a little over 3 per cent per annum. The average annual increment in the GDP comes to about £1,600 million, in 1970 prices. It must be remembered that in 1974, because of the three-day week and the onset of the recession, the average level of activity was relatively low. If we measure from 1972, when activity was higher, the average rate of growth of GDP to 1979 would come to just over 2½ per cent per annum.

The balance of payments

9 The forward planning of resources must allow for a sufficiently early elimination of the deficit on the current balance of payments. The 1975 deficit is likely to show a big improvement on 1974, but there will still be a long way to go. Continuing heavy deficits would call for further external financing on top of the existing large indebtedness, while generating doubt about the credit-worthiness which is needed if the financing is to take place. Thus we need a strong and sustained improvement in the current balance of payments position. Waiting for the full flow of North Sea oil to get us back into balance is not a viable alternative, if only because of the slow build-up of production now envisaged. For these reasons the aim incorporated in the MTA is that balance on external account is reached in 1978 (very much a minimum requirement). Thereafter we shall need to earn surpluses over a period in order to repay our international debts. The assessment assumes that over the period 1978-80 the surplus will average about 1 per cent of GDP.
The world terms of trade between manufactures and primary products are assumed to become more favourable to manufactures than they were in 1974, though less favourable than at the beginning of the decade. It is also assumed that the level of world trade will recover fairly soon to its longer-term trend line and will stay on it thereafter. Here again the assessment is discounting the possibility that present difficulties will seriously disrupt the long-term trends in the world economy.

The achievement of the balance of payments objective will absorb a substantial proportion of the increment expected in our available resources. We shall need a rise in net exports (exports minus imports) of goods and services, at 1970 prices, amounting on average to just over £500 million per annum between 1974 and 1979.

By the time we have returned to external balance in 1978 the UK's cumulative indebtedness, as measured by the aggregate current account deficits since 1973, would be very large, perhaps of the order of £10 to £15 billion, at current prices. The annual cost of servicing this debt would be of the order of £1\(\frac{1}{2}\) to £1\(\frac{3}{4}\) billion.

Allowance must be made in the forward allocation of resources for an appropriate level of investment. Private sector investment is currently rather low and declining: but over a period of years conditions must be created which will encourage it to grow if the productive capacity of the economy is not to suffer long-term damage. Indeed, in order to accelerate the rate of growth of productivity the Government are seeking to strengthen
the capital base of industry, ie, to foster industrial investment. The assessment assumes a normal relationship, on the basis of past experience, between the growth of GDP and the level of investment. This yields for fixed industrial investment in total a growth rate of, roughly, 5 per cent per annum 1974-79, with private sector fixed investment at about 4\(\frac{2}{3}\) per cent and investment by nationalised industries at about 6\(\frac{1}{2}\) per cent per annum. In terms of resources absorbed there would be a growth in total investment (including stockbuilding) of just over £500 million per annum, at 1970 prices, over the period.

Public expenditure and the private consumer

14 Given the growth of GDP, on the one hand, and of the resources required to sustain investment and the balance of payments, on the other, we can calculate what will be the increase of 'free resources', ie, resources available for allocation between public expenditure and privately-financed consumption. The figures given below show a comparison between 1974 and 1979. The choice of years for this comparison is not entirely straightforward. Between 1978 and 1980, on present expectations, the resource picture will be changing fast. In 1978, on the assumption that the external deficit will have been finally eliminated during that year, the squeeze on resources will be very severe. By 1980, on the other hand, for several reasons the position should be a good deal easier. 1979 shows an intermediate position. Given this situation, and given that an easy position in 1980 does nothing to enable the economy to accommodate relatively large public expenditure programmes in earlier years, it seems best to adopt 1979 as the terminal year for the comparison.
15 There is unfortunately also some difficulty about the choice of initial year. 1974, the latest complete year, is the obvious choice and the one we have adopted, but it is not a good base for judging medium-term trends in public and private expenditure. Between 1973 and 1974 (as illustrated in the chart) there was a big shift from privately-financed consumption to public expenditure; the latter rose by about 7 per cent, while the former fell by 5 per cent. That 1974 was off trend is shown by a longer-term comparison: the ratio of public expenditure to GDP rose from 43 per cent in 1963 to 51 per cent in 1973, but in 1974 it jumped suddenly to 58 per cent.

16 The comparison between the resources picture of 1974 and of 1979 is set out in the table, on the assumption that the up-dated White Paper public expenditure programmes are implemented. The key figures are the percentage growth rates for the total of free resources (1½ per cent), for the total of public expenditure (just under 2 per cent), and for privately-financed consumption (between ½ and 1 per cent). The increase in privately-financed consumption is clearly very low, despite the depressed base from which we start; between 1973 and 1979, arguably a better comparison, privately-financed consumption effectively stands still (see chart). All in all the prospect to 1979 does not look properly balanced, though as already stated, beyond 1979 the picture may be rather easier (this is also shown in the chart).

17 The tax implications of the resource allocation set out in the table are harsh. The MTA estimates are that a
significant further increase in the tax burden, beyond the level set by the increases in the 1975 Budget, will be needed between 1975 and 1979. The best way of illustrating the problem is probably to concentrate on one single broad-based instrument, namely, the income tax rate, while holding constant in real terms all the other main elements in the tax system. This means assuming that income tax allowances are up-dated in line with the rise in prices, and that indirect tax rates are similarly up-rated where necessary.

18 On this basis, the necessary rise in the rate of income tax by 1979 works out, very broadly, at 9-11 pence, i.e., the basic rate might be 44-46 pence. Higher rates would go up correspondingly (except that the top rate could presumably not be pushed beyond 100 per cent), but there would be no prospect whatever of limiting the tax increases to those with higher incomes. On the particular assumptions chosen, the average man, married with two children, would experience a rise in his average income tax rate from about 15 per cent in 1975 to, very roughly, 23 per cent in 1979. His marginal rate of tax, allowing for graduated insurance contributions, would be of the order of 50 per cent. There must be a serious risk that with such high marginal rates of taxation for the average wage earner there would be significant adverse effects on incentives.

19 In judging the economic significance of any particular programme of public expenditure it is necessary to bear in mind the prospect that throughout the period the Government will be engaged in an effort to get the rate of inflation down and keep it down. It has generally been believed that in the absence of an appreciable growth of privately-financed consumption the pressure for wage and salary increases would be extremely strong and would be a powerful force making for inflation.
If the programme of public expenditure were reduced, the resources picture would, of course, look a lot different. A reduction of the order of £2 billion (at 1974 Survey prices) by 1978/79 would have the following effects. First, there would be a small effect in raising the rate of growth of productive potential (because of the smaller relative size of the public sector, where, by assumption, productivity is constant). Secondly, there would be considerable changes in the rates of growth of public expenditure and of privately-financed consumption. The first would come down to ½ per cent per annum (and from 1976/77 to 1978/79 it would in effect stand still), while the latter would go up to just under 2 per cent. The tax implications would be eased; the indications are that on the assumptions stated there would be need for an increase in tax rates between 1975 and 1979 – i.e., on top of those in the last Budget – perhaps of the order of 2-4 pence.

Interpretation of the figures

There are several reasons why the simple comparison of 1974 with the 1979 figures here presented gives an unduly favourable view of the scale of future public expenditure programmes that could be accommodated without disruptive economic effect. First, there is the consideration set out in paragraph 15 that 1974 is a bad base year in which public expenditure formed an extraordinarily high proportion to national resources. Secondly, there is the problem of North Sea oil. The assessment assumes that there will be no further slippage of production relative to the Department of Energy's 'realistic' forecast. In fact there is a strong case for making some allowance in case North Sea oil production is delayed further. A related point is that the oil price assumption made in the assessment now seems too low, at least in the short run. Both these 'oil' corrections
would mean that with given public expenditure programmes there 
would be less growth of privately-financed consumption and a 
higher level of future taxation than the figures show.

22 The third, and most important, point is that already 
made in paragraph 3, namely, that there is a degree of 
optimism in the assumption that we shall be able to find 
our way through our present economic difficulties without 
suffering any damage to the trend lines for productive 
potential and the degree of capacity utilisation on which 
the resources calculation depends. The possibility of a 
much less favourable outcome is not one which can be 
brought in a neat quantitative way into the figures: but 
it is none the less real. It would be perfectly possible 
to have a period of little real growth in the economy 
extending not just for a year or two, but over the whole 
of the period with which we are here concerned, with very 
adverse consequences for both public expenditure and privately-
financed consumption. The risks are not evenly balanced: 
if resources are committed to programmes in a way which takes 
no account of this risk, and it then comes off against us, 
the resulting damage will be far more serious than the 
ill-consequences which could follow from basing our plans 
on what proved in the event to be an under-estimate of what 
could be afforded.

HM Treasury
9 July 1975
## Allocation of Resources, 1974-79

*(demand terms at 1970 factor cost prices)*

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>per cent per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Domestic Product</strong></td>
<td>1610</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>less 'Prior Claims'</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>520</td>
<td>-</td>
</tr>
<tr>
<td>Private and Nationalised Industry Investment (including stock-building)</td>
<td>530</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>= 'Free Resources'</strong></td>
<td>560</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>of which:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Expenditure*</td>
<td>360</td>
<td>1.9</td>
</tr>
<tr>
<td>Privately-financed Consumption</td>
<td>200</td>
<td>0.8</td>
</tr>
</tbody>
</table>

*Up-dated White Paper figures. Excludes Nationalised Industry Investment (included in Prior Claims).*
PUBLIC EXPENDITURE AND PRIVATELY FINANCED CONSUMPTION

£bln demand terms, 1970 prices

Privately financed consumption

Public expenditure

CABINET

MEDIUM-TERM ASSESSMENT AND PUBLIC EXPENDITURE

Memorandum by the Chancellor of the Exchequer

1. When we discussed public expenditure in May this year on the basis of my papers C(75) 62 and C(75) 63, I suggested that the level of public expenditure by 1978-79 might need to be at least £2 billion at 1974 prices below the White Paper projections, and might very well have to be even lower: and that in the public expenditure survey officials should identify cuts totalling £3 billion in order to provide sufficient room for the Cabinet to make shifts in the present pattern of priorities if the Cabinet so wished. I explained that, before the public expenditure survey was completed, we should have a further opportunity for considering the balance between public and private expenditure, on the basis of the report of the Medium-Term Assessment (MTA). A paper by officials describing the preliminary results of the MTA has been circulated separately (C(75) 78); in this note I explain how I believe the MTA should influence our decisions on the proportion of the nation's resources which public expenditure will pre-empt in the medium term. (We shall be meeting to reconsider our priorities for public expenditure later this month.)

2. It must be our objective through a combination of fiscal and industrial policies to increase the total of national resources faster than the MTA predicts, without producing price inflation on the current scale, so that our balance of payments target can be met without severe limits on the level of domestic spending. But if we now based our plans for domestic spending on the assumption that we had already achieved this objective, we would risk being confronted continually with the need to make emergency cuts in our programmes as so often in the past.

3. It would also be wrong to base our plans on the assumption that we should continue to borrow from foreigners up to the end of the decade. Even if we succeed in eliminating our balance of payments deficit by 1978 as assumed by the MTA, our indebtedness will have increased substantially, by perhaps £10-£15 billion. The annual cost of servicing this debt would be £1 ½-£1 ¼ billion - a major burden on our balance of payments.
4. We are now embarking on a programme for reducing the rate of inflation which must be continued in some form for several years if we are to retain and extend the gains we hope to achieve by drastic restraint on incomes in the next twelve months. We cannot now take our success in this field for granted. To the extent that we fall short of our objectives, we are likely also to fall short of full employment. So we cannot base our plans on the assumption that we will do better in making full use of our industrial capacity and manpower than we have done over the past few years - though this must certainly be our objective.

5. In any case it is difficult to imagine that we should plan on suppressing the growth of real take-home pay for an indefinite period - though we must do so in the next twelve months. The paper by officials shows that privately-financed consumption cannot grow at an annual rate of as much as 1 per cent a year over the period 1974-79 if we make no adjustment to the 1975 White Paper programmes beyond that announced in my Budget Statement for the year 1976-77.

6. If we expect working people to show severe restraint in wage claims for a period of years, we must be able to assure them of some reasonable growth in their own real take-home pay. To limit the growth of privately-financed consumption to 1 per cent a year would require sharp increases in tax rates. The official paper suggests that, on current expenditure programmes, the vast mass of ordinary people would, by 1979, be paying tax at the marginal rate of about 50 pence in the pound if we include income-related social security payments with income tax.

7. I cannot believe that this level of direct taxation is compatible with the degree of wage restraint we require if we are to control inflation. To raise the money by indirect taxes would be even more damaging to wage restraint.

8. These arguments concerning the balance of resources are reinforced by arguments derived from the financial balance. As I have explained before, it is not possible over a run of years for the excess of public spending over public revenue to be greater than the excess of savings over investment in the two private sectors of the economy, if the external balance is to be in equilibrium.

9. Over the past twelve months we have achieved a dramatic improvement in our balance of payments despite an unprecedented public sector deficit only because personal saving has been uniquely high, business investment has fallen and stocks have been run down. It is likely that in future private individuals will save less in order to maintain their living standards when their real take-home pay is falling. Stocks will rise again as the economy recovers. An increase in investment must be one of our major objectives as the best means of increasing employment and improving productivity. In this case we shall need to reduce the public sector deficit substantially if we are to maintain the improvement in our balance of payments and avoid providing the financial basis for continuing inflation.
10. All these arguments make it essential that we should not once again decide on levels of expenditure which may appear grossly excessive in a few months time. We cannot afford to ignore the dangers reported in the MTA paper. Bitter experience has taught successive Governments the folly of basing expenditure programmes on unrealistic assumptions about the development of the economy. The penalties for over-optimism are politically and economically catastrophic. The losses from being over-cautious, on the other hand, are less serious, and expenditure programmes can be corrected more easily. In approaching the PESC exercise this year we should accept the need for reductions in the White Paper 1978-79 programmes of at least £2 billion (at 1974 Survey prices) and preferably up to £3 billion, and consider priorities against this background. It is important that we should take a firm decision now on £2 billion as the minimum reduction so that we can state this in the debate on the counter-inflation White Paper in the coming weeks. We can then leave until the completion of the PESC exercise in September the decision whether to make reductions up to the full £3 billion.

D W H

Treasury Chambers
10 July 1975
10 July 1975

CABINET

RESOURCE ALLOCATION AND PUBLIC EXPENDITURE 1974-79

Memorandum by the Central Policy Review Staff

1. This note attempts to set out the main issues which Ministers will need to consider when they discuss the Medium-Term Economic Assessment (MTA) (C(75) 78) and the Chancellor of the Exchequer's paper (C(75) 79).

2. Decisions about the levels of public expenditure in the medium term need to be based on judgments about:

   What is the likely growth of output in relation to trends in productivity, the size of the labour force, and the level of unemployment.

   What are the needs of

   i. the balance of payments, and

   ii. productive investment.

   After deducting these needs from the likely growth in output, what should be the balance between the resources taken by public expenditure and those left for private consumption.

   What are the main uncertainties and risks; in particular, the cost of basing decisions on mistaken assumptions.

a. Output and Unemployment (MTA paragraphs 4-8)

3. The MTA assumes:

   a. Little increase in the size of the population seeking work.

   b. Productivity in the economy as a whole rising in line with past trends - i.e. just under 3 per cent a year.
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After deducting these needs from the likely growth in output, what should be the balance between the resources taken by public expenditure and those left for private consumption.

- What are the main uncertainties and risks; in particular, the cost of basing decisions on mistaken assumptions.

3. Output and Unemployment (MTA paragraphs 4-8)

a. Little increase in the size of the population seeking work.

b. Productivity in the economy as a whole rising in line with past trends - ie just under 3 per cent a year.
c. Unemployment in the last years of this decade at the same level as the 1970-74 average - ie about 3 per cent.

4. Ministers may begin by considering whether these are the most sensible working assumptions. Two relevant points are:

So far as productivity is concerned, there is no evidence of any acceleration in the trend; indeed, recent performance has been disappointing, and the present low levels of investment may have some adverse effect in 1978-79.

So far as unemployment is concerned, it is at present rising sharply: to assume that it can be brought back to the 1970-74 average assumes both a major success in handling inflation and that returning to past levels of unemployment is compatible with the necessary flexibility required to move labour and capital into exports and import substitution.

b.i. The Balance of Payments (MTA paragraphs 9-12)

5. The MTA takes as an objective getting back into external balance during 1978. In discussing this objective, Ministers may ask why 1978? Would it be possible to ease the domestic resource constraints by going for balance in a later year, or by assuming more help from North Sea oil?

Uncertainties about delays in production and rising costs mean that it would be unwise to rely more on North Sea oil than is assumed in the MTA.

Balance during 1978 already implies running up external debt to the order of £10-£15 billion; postponing external balance till later means bigger debts.

Recent events have demonstrated very sharply the international doubts about our credit worthiness: unless we cure our inflation we may well be unable to borrow even £10-£15 billion.

It is possible that, if there were a dramatic success in reducing inflation, confidence would improve, and the borrowing position would be easier. But dare we base this year's decisions on such an assumption?

If there is a strong recovery in world trade in 1976 and 1977, the United Kingdom should have the export capacity to take advantage of it; if there is not, both the balance of payments and the unemployment situation would be very difficult.
b. ii. **Productive Investment** (MTA paragraph 13)

6. The MTA allows for a growth in total industrial fixed investment of 5 per cent a year, 1974-79: nationalised industries' investment is shown rising by $6\frac{1}{2}$ per cent a year, and private sector investment (excluding house building and stocks) by about $4\frac{3}{4}$ per cent a year.

7. In considering the provision for private investment, it may be relevant to note:

   The figure is not a forecast: it is an estimate of the rate of investment which would be consistent with the normal trend growth of productive capacity.

   Private investment is at present low and falling; the MTA provision supposes that this fall should be reversed, and allowance made for a considerable upswing after 1976.

   It is difficult to say whether this increase will in fact be achieved; but unless provision is made for it, resources which might have gone to productive investment will have been pre-empted in advance.

c. **Public Expenditure and Private Consumption** (MTA paragraphs 14-20)

8. The distribution of the increase in gross domestic product (GDP) 1974-79 proposed in the MTA is quite abnormal in that two thirds are pre-empted for the "prior claims" of investment and the balance of payments, leaving only one third to be shared between public expenditure and privately financed consumption. The share going to production investment is a little higher than normal in that stocks are being rebuilt from a very low base in 1974. But the main abnormality is the claims of the balance of payments. Since Ministers last considered the prospects for the medium term, the need for an early return to balance has become stronger, the prospects for North Sea oil in 1978 are less favourable, and the prospects for the terms of trade look worse. This is the main reason why the outlook for public expenditure and privately financed consumption is so much more difficult than appeared even last year. After allowing for the balance of payments and productive investment, the MTA shows public expenditure and private consumption together as rising on average by about 1$\frac{3}{2}$ per cent between 1974 and 1979, with public expenditure (on present programmes) rising by just under 2 per cent and privately financed consumption by less than 1 per cent.

9. Ministers will need to consider whether this prospect is acceptable:

   Will it be possible to get inflation under control and then keep it under control if real take-home pay is rising by less than 1 per cent a year - an imperceptible rate of improvement?
Are the very large increases in taxation which this prospect implies (MTA paragraphs 17-19) politically acceptable, or consistent with the maintenance of incentives or anti-inflation objectives?

10. If Ministers conclude that such a prospect for private consumption and taxation is unacceptable or unlikely to prove viable, they will need to make more resources available for privately financed consumption by reducing public expenditure below present programmes.

d. Risks and Uncertainties

11. Before deciding whether public expenditure programmes should be reduced, and by how much, they will need to consider how the uncertainties inherent in the MTA could affect that decision.

12. So far as the analysis itself is concerned, there is little reason for thinking that the growth of output has been underestimated; indeed it could well turn out to be on the optimistic side. Against this, the provision for increased private investment could prove to be on the high side. In fact quite a large reduction in the growth of private investment could easily be offset by a slightly lower growth of output. For example, if the rate of growth of investment were only two-thirds of what has been assumed, this release of resources would be more or less completely offset if GDP growth was 3 per cent instead of the 3.2 per cent the MTA assumes.

13. The analysis assumes that i. the balance of payments has been brought back into balance during 1978, and ii. that inflation has been brought under control in the medium as well as the short term. These are bold assumptions. Persistently high inflation, in particular, would almost certainly make the prospects for output worse, partly because it might prove impossible to reduce unemployment to the extent which the MTA supposes, and partly because of the possible disruptive effect of high inflation on industrial relations and on investment. It could also have very adverse effects on our international trading position.

14. The MTA is set out in terms of the allocation of real resources. The financial prospect which goes with this allocation of resources is:


b. A public sector deficit reduced to normal proportions (ie around 2\(\frac{1}{2}\) per cent of GDP) by about 1979.

c. A very sharp fall in the public sector deficit in 1977 and 1978, when it is hoped that world trade will be expanding, the balance of payments improving rapidly, and private investment in the United Kingdom recovering.
The counterpart to the reduction in the public sector deficit is an increase in the tax burden. The MTA calculates (paragraph 20) that even if public expenditure in total were held constant from now on, there would need to be a large increase in tax rates to achieve balance in the allocation of resources. The 18 per cent growth in public expenditure of the past two years has still to be matched by increased taxation. At the moment, with exceptionally high saving by the private sector and a large balance of payments deficit, we can live with a very large public sector deficit. But the time will come when we have to increase taxes to cover more of our past increases in public expenditure. After uprating all indirect taxes in line with inflation, the necessary increase in income tax would be of the order of 2-4p. As was said above, impact of this increased tax burden could well be most acute in 1977 and 1978, because the pressures on resources may then be strongest.

c. Public Expenditure Options

If public expenditure is based on assumptions which prove over-optimistic, then there is a high risk that, as has so often happened in the past, programmes will have to be cut back hastily in a crisis atmosphere. The dislocation and social and political cost caused by a rapid transition in public expenditure programmes from past rapid growth to, at best, zero growth for some years has to be weighed against the major macro-economic risks and costs set out in the MTA. This will be highly relevant when Ministers come to discuss priorities between programmes.

The MTA examines two possibilities:

i. Carrying on with present programmes. This implies an imperceptibly slow rate of growth of privately financed consumption, and an extremely large increase in the tax burden.

ii. Reducing total public expenditure in 1979 by £2 billion below present programmes. This implies:

a. Holding public expenditure broadly constant from now until 1978-79.

b. A much smaller, but still significant, increase in the tax burden

The Chancellor recommends:

i. That the Cabinet agree now to reduce totals in 1978-79 by £2 billion.

ii. That the possibility of reductions going beyond £2 billion should be explored when the detailed reports of the Public Expenditure Survey are available in September.
QUESTIONS FOR DISCUSSION

19. Ministers may wish to concentrate on the following central questions:

1. Do they regard the basic MTA assumptions about output, unemployment, the balance of payments and productive investment as an acceptable basis for planning public expenditure in the medium term? (See paragraphs 3-7 above.)

2. Do they accept that the picture could in practice be a good deal more difficult, particularly if inflation were not kept under control in the years beyond the £6 flat rate increase and that the chances of things being a good deal better than the MTA projections are less strong.

3. If public expenditure programmes are set too high, there is a serious risk of further disruptive cuts in a crisis atmosphere later on. What weight do Ministers give to keeping programmes down to levels which have a good chance of being implemented rather than aiming on the high side in the hopes that the economy will perform well and the programmes can be afforded.

4. Are the Chancellor’s proposals accepted? (A £2 billion reduction implies decelerating to roughly zero growth now, and keeping public expenditure roughly constant until 1978-79).

Cabinet Office

10 July 1975
15 July 1975

CABINET

RENUMERATION, CHARGES AND GRANTS BILL

Note by the Chancellor of the Exchequer

1. I attach, for the information of my colleagues, the latest draft of the Remuneration, Charges and Grants Bill, which will provide the Government with the additional powers in support of the pay limit set out in the White Paper "The Attack on Inflation" (Cmnd 6151). The Bill will be published tomorrow, Wednesday 16 July 1975.

2. As I told Cabinet this morning the Bill as published will not include clause 4 of the draft attached below. This clause, which would give the Ministers power to override other legislation affecting pay, will instead be included in the Reserve Powers Bill foreshadowed in paragraph 26 of the White Paper, which would make it illegal for the employer to exceed the pay limit. I am satisfied that practically all the situations in which the need for such a power might have arisen can be handled effectively within a voluntary policy. A special power may, however, be needed to prevent the payment to judges and magistrates of the second stage of the salary increase awarded following the most recent review by the Top Salaries Review Body, should it not prove possible to persuade them voluntarily to forgo this increase. This is necessary in order to preserve the comparability of treatment between judges and Permanent and Deputy Secretaries.

D W H

Treasury Chambers
15 July 1975
ARRANGEMENT OF CLAUSES

Clause
1. Remuneration under existing agreements.
3. Price code.
4. Power to modify Acts about remuneration.
5. Power to reduce certain grants to local authorities.
6. Housing subsidy—special element.
7. Rent limitation subsidy in Scotland.
8. Interpretation.
10. Short title.
DRAFT
OF A
BILL

Limit liability for certain remuneration; to enable certain provisions of Part II of the Counter-Inflation Act 1973 to be extended and to amend section 2 of that Act; to enable grants to local authorities to be reduced in certain circumstances; to enable housing subsidy to be increased and to provide for a new grant to local authorities in Scotland; and for connected purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

5 1.—(1) Where an employer limits the remuneration paid by him to any person for any period while this section is in force and the limitation is no greater than necessary to keep the remuneration within the limits imposed by the policy set out in the document laid before Parliament by command of Her Majesty in July 1975 (Cmnd. 6151) he shall not be liable for breach of contract by reason only that the remuneration is less than would, apart from this section, be payable under any agreement entered into before the commencement of this Act.

(2) If Her Majesty at any time causes a document to be laid before Parliament which sets out limits in addition to or in substitution for those so imposed the Secretary of State may by order made by statutory instrument add or substitute in subsection (1) above a reference to the limits set out in that document, and that subsection shall then have effect accordingly; and similarly with any further such document laid before Parliament by command of her Majesty.
(3) An order under this section shall cease to have effect at the expiration of a period of one month beginning with the date on which it was made, unless, before the expiration of that period, it has been approved by a resolution of each House of Parliament.

In reckoning that period no account shall be taken of any time during which Parliament is dissolved or prorogued or during which both Houses are adjourned for more than four days.

(4) A person in the service of the Crown shall not be able to enforce a claim for remuneration in respect of that service which, by reason of this section, he could not enforce if the remuneration were in respect of employment by a private person.

(5) Any question arising under this section whether any remuneration exceeds the limits mentioned therein shall be referred to and determined by the Secretary of State.

2.—(1) Subject to the provisions of this section, section 1 of this Act shall cease to be in force at the expiration of the period ending with 31st July 1976.

(2) His Majesty may at any time by Order in Council terminate the period for which section 1 of this Act is in force.

(3) His Majesty may by Order in Council—

(a) continue section 1 of this Act in force for a period ending not later than 31st July 1977; and

(b) if that section has ceased to be in force before that date, bring it again into force for a period ending not later than that date.

(4) His Majesty may by Order in Council continue, or, as the case may be, again bring into force all or any of the following provisions (as amended) of Part II of the Counter-Inflation Act 1973, namely, sections 5, 6, 8, 9 and 10, for any period during which section 1 of this Act is in force; and accordingly section 4 of that Act (duration of Part II) shall have effect subject to this section.

(5) No recommendation shall be made to His Majesty in Council—

(a) to make an Order under subsection (3) above; or

(b) to make an Order under subsection (4) above extending any provision beyond 31st July 1976 or bringing any provision again into force for a period ending after that date,

unless a draft of the Order has been laid before Parliament and has been approved by resolution of each House of Parliament.
(6) A statutory instrument made under subsection (4) above but not falling within subsection (5)(b) above shall be subject to annulment in pursuance of a resolution of either House of Parliament.

5. (7) Subsections (1) and (2) above shall not affect the operation of section 1 of this Act with respect to any period during which it was in force; and accordingly, to the extent that a claim to remuneration could not be enforced while that section was in force it shall remain unenforceable on the section ceasing to be in force.

3.—(1) The changes made in the price code at a time when section 1 of this Act is in force may include such changes as appear to the Secretary of State appropriate to disallow the whole or part of any remuneration in cases where it exceeds the limits mentioned in that section and to enable questions whether any remuneration exceeds those limits to be determined by the Secretary of State.

(2) In this section "the price code" means the code prepared under section 2 of the Counter-Inflation Act 1973.

20.—(1) The Minister may by order direct that—

(a) any provision of any Act, whether passed before or after this Act, which relates to remuneration or other terms and conditions of employment, or

(b) any provision having effect under such an Act,

shall, while section 1 of this Act is in force, have effect subject to such exceptions, modifications or adaptations as may be specified in the order.

(2) In this section "the Minister" means the Secretary of State or the Minister of Agriculture, Fisheries and Food and, in relation to an Act of the Parliament of Northern Ireland or an Order in Council under Schedule 1 to the Northern Ireland Act 1974, includes a Northern Ireland department.

(3) An order under this section may be varied or revoked by a subsequent order.

(4) Any order under this section, except one made by a Northern Ireland department, shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(5) Any order under this section made by a Northern Ireland department shall be subject to negative resolution within the meaning of section 41(6) of the Interpretation Act (Northern Ireland) 1954 as if it were a statutory instrument within the meaning of that Act.
5.—(1) If it appears to the Secretary of State that any action taken or likely to be taken by a local authority in Great Britain may result or has resulted in the payment, for any period during which section 1 of this Act is in force, of any remuneration in excess of the limits mentioned in that section he may, after giving the authority an opportunity of making representations, reduce and may, in the meantime, withhold, any sums payable to the authority by way of rate support grant or grant under section 6 of the Local Government Act 1974 (supplementary grants for transport purposes).

(2) A reduction to be made in pursuance of this section in respect of remuneration payable for any period shall not exceed the amount appearing to the Secretary of State to be the amount or value of any increase in that remuneration and—

(a) the Secretary of State shall certify that amount and the amount of the reduction; and

(b) may certify different amounts for different periods;

and any reduction so made from rate support grant may be made from any of the elements of the grant.

(3) So far as any reduction to be made in pursuance of this section cannot be made from the sums payable to a local authority in the year in which the reduction is certified it may be made from the sums so payable in any subsequent year.

(4) The amount by which the sums payable to a local authority by way of a rate support grant has been reduced in any year in pursuance of this section may, if the Secretary of State so determines, be treated for the purposes of paragraph 10(3) of Schedule 2 to the Local Government Act 1974 as reducing the total estimated expenditure to be incurred by the authority for any subsequent year during which a reduction in pursuance of this section falls to be made to the authority.

(5) This section shall apply in relation to any action of the London Transport Executive or of a Passenger Transport Executive as if it were the action of the Greater London Council or, as the case may be, of the local authorities whose areas fall wholly or partly within the area for which the Passenger Transport Executive was established, except in a case where the Passenger Transport Authority is the county council.

6.—(1) Paragraph 6 of Schedule 1 to the Housing Rents and Subsidies Act 1975 (which provides for a special element of housing subsidy for the year 1975-76 and an amount equal to the special element by way of or as part of the basic element for later years) shall be amended as follows.
(2) In sub-paragraph (1) after the words “for the year 1975-76”, in the first place where they occur, there shall be inserted the words “and for the year 1976-77” and at the end of the sub-paragraph there shall be added the words “or, as the case may be, the year 1976-77”.

(3) In sub-paragraph (2) after the words “new town corporation” there shall be inserted the words “for the year 1975-76”.

7.—(1) Subject to the provisions of this section, the Secretary of State may for the year 1976-77 out of money provided by Parliament pay to a local authority in Scotland a subsidy to be called the rent limitation subsidy which shall be credited to the housing revenue account of the authority for that year.

(2) The amount of any rent limitation subsidy payable to a local authority shall be calculated on a basis determined by the Secretary of State.

(3) In the Housing (Financial Provisions) (Scotland) Act 1972, in Schedule 4, after paragraph 1(c)(iv) there shall be inserted—

“ (v) the rent limitation subsidy payable under section 7 of the Remuneration, Charges and Grants Act 1975.”

8. In this Act—

“ Act ” includes an Act of the Parliament of Northern Ireland and an Order in Council under Schedule 1 to the Northern Ireland Act 1974; and

“ remuneration ”, in relation to any person, includes any benefit, facility or advantage, whether in money or otherwise, provided by the employer or by some other person under arrangements with the employer, whether for the first-mentioned person or otherwise, by reason of the fact that the employer employs him, and any reference to the payment of remuneration shall be construed accordingly.

9. There shall be paid out of moneys provided by Parliament Expenses, any increase attributable to this Act in the sums so payable under any other Act.

10. This Act may be cited as the Remuneration, Charges and Grants Act 1975.
To limit liability for certain remuneration; to enable certain provisions of Part II of the Counter-Inflation Act 1973 to be extended and to amend section 2 of that Act; to enable grants to local authorities to be reduced in certain circumstances; to enable housing subsidy to be increased and to provide for a new grant to local authorities in Scotland; and for connected purposes.

CCI—B (3)

15th July, 1975
CABINET

PUBLIC EXPENDITURE PRIORITIES

Note by the Secretary of the Cabinet

I attach a copy of the memorandum prepared by HM Treasury and the Central Policy Review Staff for discussion at Cabinet on Friday 25 July 1975.

Signed JOHN HUNT

Cabinet Office

18 July 1975
PUBLIC EXPENDITURE PRIORITIES

MEMORANDUM BY HM TREASURY AND THE CENTRAL POLICY REVIEW STAFF

I. INTRODUCTION

1. At their meeting on 22 May (CC(75)25 Conclusions) the Cabinet asked the Treasury and the CPRS to prepare a paper which would form a background for Ministerial discussion on public expenditure priorities.

2. In considering priorities, Ministers will be primarily concerned with what they can achieve within the lifetime of the present Parliament. This paper therefore concentrates on the possibilities up to 1978-79. Ministers will need to ensure that the programmes for the period up to 1978-79 in the next White Paper:
   (i) Are achievable in terms of the likely resources available;
   (ii) Reflect a coherent set of political priorities;
   (iii) Are sustainable in the longer term.

Few programmes can be changed quickly; if the level and pattern of public expenditure in 1978-79 are to be considerably changed, decisions need to be made this year.

3. It is not the purpose of this paper to guide Ministers to decisions before the recess. Detailed information about individual programmes and the consequences of making reductions in them will be available in September when the Public Expenditure Survey is completed. The object of this paper is to provide a basis for Ministers to look at recent developments in public expenditure programmes and to discuss their future priorities in strategic terms, as a preliminary to specific decisions in the Autumn.

II. BACKGROUND

(I) TOTAL PUBLIC EXPENDITURE

4. Ministers will need to assess their future priorities against the background of the decisions which they have taken since the Government came into office in March 1974. This is illustrated by comparing the situation which they inherited, i.e.:

   —The December 1973 White Paper (Cmnd. 5519) as modified by cuts in the programme for 1974-75 announced at the same time

with the latest available statement of their policy decisions already taken, i.e.:
The January 1975 White Paper (Cmnd. 5879) as modified by the cuts announced in the April 1975 Budget, and other changes since the White Paper was published. (Note: these estimates (i) do not include those policies which have not yet been costed in expenditure programmes, e.g. the National Enterprise Board. (ii) show the position before the start of the current PESC exercise.)

5. Chart A makes this comparison (i) for total public expenditure, and (ii) for expenditure on goods and services and transfer payments. The chart, which follows page 13, shows:

(a) That the net effect of decisions taken since March 1974 has been to raise planned public expenditure substantially over the December 1973 programmes. (The previous Government in announcing cuts for 1974–75 said that the programme in later years would also be reviewed, but they did not do so before leaving office);

(b) And that within the larger total, there has been a major switch: the planned totals for goods and services have been reduced by comparison with the previous programme, but this reduction has been more than offset by increased transfer payments.

6. The path of total expenditure shown in Chart A is very striking. It shows very rapid actual increases between 1972–73 and 1974–75, and much slower planned growth thereafter. Most of the increase between 1972–73 and 1974–75 was due to higher spending on housing, social security, compensation to nationalised industries for price restraint and food subsidies. In fact, between 1972–73 and 1974–75 total public expenditure went up by about 20% in cost terms at 1974–75 prices. On the conventional definition, GDP rose by 5% over these two years but if account is taken of the worsening of the terms of trade (e.g. the oil price rise), GDP fell by over 1% while Public Expenditure rose 20%. The public expenditure explosions of 1973–74 and 1974–75 have been so large as at best very severely to restrict the scope for future increases.

(2) Changes within the total of public expenditure

7. The decisions which Ministers took in 1974 were reflected in the programme set out in the January 1975 White Paper which gave:

High priority

(i) To social programmes related to the social contract: immediate uprating of pensions and future uprating of long-term benefits in line with earnings; increases in public sector housebuilding and in housing subsidies; food subsidies to restrain inflation;
(ii) To industrial efficiency: productive investment in nationalised industries; regional, industrial and agricultural support; manpower and training; North Sea oil—related infrastructure;

Lower priority
For other programmes.

8. The effects of these decisions on the relative size of the main programmes in 1977–78, as compared with the previous Government’s plans are shown in Chart B. This shows a larger share of expenditure going to social security, housing, trade and industry and food subsidies, and a lower share to all the other main programmes. A lower share does not of course imply that a programme is actually falling.

9. Chart C shows the size of the changes: housing and social security show the largest increases, defence and education the largest absolute reductions below previous programmes.

10. Chart D compares the latest out-turn for 1974–75 with present plans for 1978–79. It shows increases in most programmes with social security, social services and education all taking larger proportionate shares of total expenditure in 1978–79 and lower food subsidies. (Note: the Trade and Industry totals appear to fall because only sums already committed for specific projects of selective assistance to industry are included; it is unrealistic to expect that a reduction on this scale will actually occur.)

III. THE PROBLEM

11. The Medium Term Assessment (C(75)78) has shown that from now on the constraints on total public expenditure will be tight in the extreme. Ministers will therefore need to re-examine public expenditure programmes stringently in the light both of the need to bring about a substantial and continuing reduction of the borrowing requirement (and the related taxation prospects) and of their political priorities.

12. The tightness of the position highlights the importance of (i) assessing priorities and (ii) getting value for money from existing programmes. In re-assessing priorities, simple proportional cuts applied to all programmes across the board will not give the right answer, because X% off one programme will frequently have very different implications from X% off another. There may be items of such importance that they merit increased allocations even though in present circumstances that implies deeper cuts elsewhere.
Ministers will need to consider how they can increase their room to manoeuvre within a very tight total not just by changes at the margin but also by major and radical changes in policies in particular areas.

13. The present discussion of priorities has two inter-acting elements:

—Identifying any areas of such **high priority** that the programmes should not be reduced;

—Identifying the **lower priority** areas: this will require a systematic examination of individual programmes, to see what policy changes would be required to achieve significant reductions.

14. High priority areas can only be defined in the light of the resources available. Open-ended commitments to particular programmes, without well-defined and enforceable ceilings, will both make effective control of expenditure impossible, and also frustrate the achievement of a coherent set of priorities. Moreover, the fact that some objective has high priority within the total does not mean that it needs to be growing fast in absolute terms. Proper expenditure control and value for money are as important principles for high priority as for lower priority areas.

**DETERMINING PRIORITIES**

15. To assess priorities, Ministers need criteria and one possible set of criteria are the objectives set out in the 1974 Manifestos (see Annex I). But:

(i) Much of the thinking behind the Manifestos took place before the dramatic rise in oil prices, before the balance of payments deficit had become so serious and before the problem of cost inflation had become so dangerous;

(ii) The Manifestos do not give much indication of priorities as between different objectives.

16. In broad terms, the Government’s objectives can be summarised as:

—stopping inflation

—getting the balance of payments right

—promoting economic growth

—making progress towards a more equal society

—helping the disadvantaged.

17. It is possible to ask how far individual expenditure programmes contribute to each of these objectives, and to assign priorities accordingly. Such an approach can be helpful: for example, expenditure programmes with a high resource cost in balance of payments terms need particularly serious scrutiny; productive investment which
increases export potential or saves imports cost-effectively may
deserve higher priority. But, equally, there are usually conflicts
between these objectives: food subsidies and subsidies on nationalised
industries prices help counter-inflation in the short-run, but distort
resource allocation and are bad for economic growth and the balance
of payments in the medium term. Again, measures which promote
equality and help the disadvantaged can raise the tax burden, reduce
the net take home pay of the ordinary wage-earner, and so can add
to the pressures for inflationary wage increases.

18. A general statement of objectives of this kind can therefore do
no more than provide a few pointers. Priority between the objectives
depends on the current position. In present circumstances, the
highest priority has to be assigned to stopping inflation and getting
the balance of payments right. In determining their priorities,
Ministers will need to consider how to do this with minimum damage
to their other objectives of promoting economic growth, a more equal
society and helping the disadvantaged.

19. In sum, Ministers can only determine priorities by a case by case
examination of individual programmes. The Public Expenditure
Survey will provide a detailed basis for decisions on options in
September. But there are a number of strategic questions which
Ministers should consider now, because their reactions to these
questions could:

(i) Affect their collective approach to the detailed decisions which
    they will be obliged to take in the Autumn;

(ii) Identify options which they would like to see explored, but
    which the present Public Expenditure Survey may not
    throw up.

IV. THE PROGRAMMES

20. Chart E sets out an analysis of the individual public expenditure
programmes for 1978–79.

21. The programmes shown in Chart E can be classified broadly as
follows:

GOODS AND SERVICES

(a) The structure of society: defence and overseas services, law
    and order, administration of government;

(b) Economic and social infrastructure: employment services,
nationalised industries investment, roads and transport,
other environmental services including water and
sewerage, research;

(c) Provisions which benefit individuals directly: housing,
education, health and personal social services.
TRANSFER PAYMENTS

(d) Industrial, regional and agricultural support;
(e) Food subsidies, housing subsidies, subsidies on energy and transport;
(f) Retirement pensions, supplementary benefits, student grants.

22. In considering their priorities Ministers will need to consider the levels of expenditure on goods and services and on transfer payments.

23. Government expenditure on goods and services represents a direct claim on resources, and hence a direct burden on the taxpayer. Directly or indirectly, they have a very large manpower content. Since public sector pay rises, on average, at about the same rate as private sector pay the costs of goods and services programmes tends to rise faster than costs generally. The cumulative effect of this “relative price effect” on resource allocation generally is in itself an argument for looking at the growth of goods and services programmes very carefully.

24. The difficulties which this “relative price effect” pose for public expenditure planning and control, and for the tax burden, are well illustrated by the estimates set out in Annex II. These show that between 1970-71 and 1974-75:

(i) In terms of real resource costs, the goods and services programmes increased by nearly 25%;

(ii) About half this increase represented an increase in the volume of goods and services provided: the other half reflected the increase in the relative cost of providing them;

(iii) Of the half attributable to relative prices, something like one-third was attributable to the long-term trend in the relative movement of pay and prices; most of the rest was the result of the unprecedented rise in the relative price of construction in the past two or three years.

25. Reappraisal of goods and services programmes must therefore be a major element in a review of priorities. But equal attention will need to be given to transfer payments.

TRANSFER PAYMENTS

26. There are broadly three kinds of transfer payments: (i) assistance to industry (ii) social security and related benefits, and (iii) subsidies. As Chart A, and paragraph 5 above show, the largest increases in public expenditure have been in transfer payments. Ministers have already agreed to eliminate subsidies to nationalised
industry prices and to phase out food subsidies over a period of years. They will need to review their priorities for other transfer payments including how far these transfers can be directed to helping the neediest by being more selective.

V. THE QUESTIONS

HIGH PRIORITY AREAS

27. What areas are of such importance that they deserve to have their present programmes maintained (or even increased) despite the inevitable effect on other programmes?

LOWER PRIORITY AREAS

28. Ministers may find the most fruitful approach to identifying lower priority areas is to look at the individual programmes in the light of the following questions:

(i) Was a rising standard planned when the prospect looked better than it does now? If so, should the improvement be slowed down, or postponed altogether?

(ii) Can a falling standard be tolerated?

(iii) Can programmes which benefit the individual be made more selective?

(iv) Could more be privately financed or government support reduced?

(v) Are there any items which could be substantially reduced or cut out altogether?

29. Taking these questions in turn:

(i) Slowing down or halting improvements?

This question is particularly relevant for:

(a) Nationalised industries investment:

Proposals will be submitted for separate consideration by Ministers before the Summer Recess. Chart E shows that large programmes are envisaged for fuel, steel and the Post Office. Investment which cannot be justified by its contribution to the growth of the nation's productive capacity and exports, or by the commercial prospects of the industry should be critically questioned. Is the present test discount rate (10%) sufficiently rigorous?

(b) Roads and transport, other environmental services, including water and sewerage:

See Chart D;
(c) *Education, health and personal social services*:
See Chart D;

(d) *Retirement pensions, supplementary benefits*:
The objectives of the Manifesto were that pensioners, in particular, should (i) get a once for all improvement (ii) subsequently be assured of a fair share in rising prosperity generally. The first of these objectives has been achieved: with the tax burden and low growth of take home pay now in prospect, Ministers need to consider whether pensions should continue to be linked to pre-tax earnings rather than prices or take-home pay.

(ii) **Can a falling standard be tolerated?**
This question is particularly relevant for:

(a) *Defence*:
Unlike most other programmes, defence has already been the subject of a major review: the resulting changes in policy will bring defence spending more into line with that of our major Continental allies: it will reduce commitments, but preserve the essentials of our contribution to NATO. Ministers need to consider whether further significant reductions can be made, taking into account the likely international situation on the one hand and our economic position on the other.

(b) *Overseas services*:
Is the scale of activities commensurate with our reduced role?

(c) *Posts and telecommunications, roads and transport, other environmental services including water and sewerage*.

(d) *Housing and aspects of health and personal social services and education*.

(e) *Law and order, administration of government*:
Can standards of service and manning be reduced?

(iii) **Can programmes which benefit the individual be more selective?**
This question is particularly relevant for:

(a) *Food subsidies, nationalised industries subsidies*:
Ministers have agreed not to subsidise nationalised industry prices generally, and to phase out food subsidies over a period. Where nationalised industry deficits cannot be eliminated, they will need if at all possible to be substantially reduced and at the minimum contained. Since general subsidies of this kind benefit everyone, they are a very cost-ineffective method of helping the needy.
(b) **Housing subsidies**:

In total the cost to the public purse of support for housing is expected to be nearly £4.5 billion in 1978–79 (see Chart D). More than a quarter of this will be subsidies to council house tenants. The figure does not include the cost of tax relief to owner occupiers which currently costs almost as much as rent subsidies; the two together come to about 2.2% of GNP. The Department of the Environment’s Housing Finance Review is now reviewing the whole of this area of policy, but the results will not be available in time for decisions on this year’s Public Expenditure White Paper.

(c) **Social security benefits**.

(iv) Could more be privately financed or Government support reduced?

This question is particularly relevant for:

(a) **Assistance to industry**:

This is an area where there are risks of large and open-ended commitments. It will be necessary to ensure (i) that consistent and rigorous criteria are applied in every case, (ii) that the amounts provided case by case are kept within limits which are in tune with the other constraints on public expenditure.

(b) **All services subject to charges**:

Wherever the Government already charges for services, there is, as a minimum, a case for uprating charges fully in line with inflation.

(c) **Education, health and perhaps roads**:

For these programmes an alternative, or partial alternative, to reducing provision may be to increase or impose charges. Increases in existing charges can be implemented quite quickly and should not put up the administrative costs of collection. New charges are only worthwhile if administrative costs are low in relation to potential revenue.

(v) Are there any items which could be substantially reduced or cut out altogether?

Ministers might ask that new programmes which require a lot of manpower should be looked at particularly carefully.

**PARTICULAR PROBLEMS**

30. There are two special problems to be considered.

31. About 40% of expenditure on goods and services is spent by the local authorities. Ministers have already recognised the urgent need to find new means of controlling local authority expenditure. This
may mean taking statutory powers to reduce local authorities’ autonomy. Many of the capital programmes of the local authorities involve new or better provision rather than replacement and will require more people to staff and maintain them when completed. As a result it may well be impossible for them to keep their future current expenditure down unless their capital programmes are significantly reduced.

32. One of the highest priorities should be given to establishing a genuine contingency reserve of adequate size. Decisions taken between one year’s White Paper and the next year’s Survey can very easily eliminate the contingency reserve altogether, or mortgage it for the whole five-year period. The small size of the contingency reserve, and the way it gets eaten into by ad hoc decisions is one of the major causes of Ministers’ lack of room to manoeuvre on public expenditure.

VI. POINTS FOR DISCUSSION

33. The following questions are suggested as a focus for discussion:

(i) What should be regarded as high priority areas deserving to have their present programmes maintained or even increased?

(ii) How far can planned improvements in the social and environmental services be slowed down or halted? Where these are local authorities' services, how can this be done?

(iii) Under present constraints, how far should across-the-board improvements of social security benefits give place to concentration of benefit on need? Could services and benefits generally be made more selective?

(iv) Is there more that could be charged for in full or in part? Should existing charges be raised?

(v) How can the largely opened-ended commitments to assistance to industry and to housing be contained?

(vi) Are there activities which might be cut from the programmes altogether, or greatly reduced?

34. Both Ministers collectively and Departmental Ministers will need to consider how wide-ranging a review they are prepared to undertake. Since there is so little room to manoeuvre, and since decisions taken this year will largely determine the pattern of expenditure for the rest of this Parliament, there are strong arguments for being as radical and wide-ranging as possible. Are there any possibilities which have hitherto been regarded as unthinkable which Ministers now wish examined?
ANNEX I

THE 1974 LABOUR PARTY MANIFESTOS

The following is a list of the major specific proposals and objectives in the February and October 1974 Manifestos which have public expenditure implications; they are divided according to a rough, and necessarily arbitrary classification. Both Manifestos made clear that the timing of achieving these objectives would depend crucially on progress in getting on top of economic problems.

DEFENCE AND OVERSEAS
1. Reduce defence spending
2. Renegotiation of Common Market terms
3. International co-operation on resources
4. 0.7% of GNP for overseas aid

PUBLIC OWNERSHIP AND INDUSTRY
6. Public ownership of and participation in exploitation of North Sea and Celtic energy
7. Community ownership of development land
8. Nationalisation of aircraft and shipbuilding industries and ports
9. New regional planning machinery—Welsh and Scottish Development Agencies
10. Set up a Co-operative Development Agency

HOUSING AND TRANSPORT
12. Immediate freeze on rents followed by strict control. Raise subsidy on local authority housing
13. Abolition of the agricultural tied cottage
14. Switch traffic from road to rail and water and from private to public transport

SOCIAL SERVICES
15. Expand the NHS. Eliminate prescription charges progressively. Phase out private practice. Give clear priority to the mentally ill
16. Expand education by programme of nursery schools and more facilities for 16–18 year olds. End Direct Grant schools. Withdraw tax relief from public schools. Press on with comprehensive education
17. Better services, more manpower, in inner urban areas.
INCOME DISTRIBUTION

18. Immediate increases in pensions and other benefits. Increases thereafter in line with earnings.
20. Help for the disabled.
23. Equal pay for women.

OTHER
24. Devolution.

The February 1974 Manifesto concluded with the following list of the “priorities we have chosen”:

(a) Bring about a fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families;

(b) Eliminate poverty wherever it exists in Britain, and commit ourselves to a substantial increase in our contribution to fight poverty abroad;

(c) Make power in industry genuinely accountable to the workers and the community at large;

(d) Achieve far greater economic equality—in income wealth and living standards;

(e) Increase social equality by giving far greater importance to full employment, housing, education and social benefits;

(f) Improve the environment in which our people live and work and spend their leisure.
THE CONTRIBUTIONS OF VOLUME AND RELATIVE PRICE INCREASES TO THE GROWTH IN THE REAL COST OF PUBLIC EXPENDITURE 1970-71 TO 1974-75

The table below shows the extent to which the real growth of expenditure between 1970-71 and 1974-75 was due to (a) the volume increase and (b) the increase in the relative price. (Of the latter, the amount which might anyway have been expected in the light of the long-term trend in the relative price effect is shown in brackets.) Column (c) shows the total increase in real costs, including the relative price effect. Column (d) shows the actual total of expenditure in 1974-75.

<table>
<thead>
<tr>
<th></th>
<th>Volume increase</th>
<th>Relative price effect</th>
<th>Real increase in cost terms (equals: a + b)</th>
<th>Expenditure in 1974-75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries*</td>
<td>+1.7</td>
<td>+1.0 (+0.8)</td>
<td>+2.7</td>
<td>11.4</td>
</tr>
<tr>
<td>Other current expenditure on goods and services</td>
<td>+0.6</td>
<td>+0.1 (-)</td>
<td>+0.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Gross domestic\ Construction</td>
<td>-0.3</td>
<td>+1.1 (-)</td>
<td>+0.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Fixed capital\ Other (including land)...</td>
<td>+0.2</td>
<td>+0.1 (-)</td>
<td>+0.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Total: Goods and services†</td>
<td>+2.3</td>
<td>+2.3 (+0.8)</td>
<td>+4.6</td>
<td>24.6</td>
</tr>
<tr>
<td>Transfer payments, etc.‡</td>
<td>+5.0</td>
<td>-0.1 (-)</td>
<td>+4.9</td>
<td>18.4</td>
</tr>
<tr>
<td>Total</td>
<td>+7.3</td>
<td>+2.2 (+0.8)</td>
<td>+9.5</td>
<td>43.0</td>
</tr>
</tbody>
</table>

* Includes Forces’ pay.
† Detail does not always add to total because of rounding.
‡ Includes stockbuilding.
Notes on Chart A

1. Charts A, B and C compare—

(a) The public expenditure programmes in the January 1975 White Paper (Cmnd. 5879), updated to take account of changes recorded to 22 May 1975, including the reductions for 1976-77 announced in the Budget. (The figures have not been adjusted to reflect the ground-rules adopted for the public expenditure Survey.)

(b) The public expenditure programmes in the December 1973 White Paper (Cmnd. 5519), modified by the reductions for 1974-75 announced on the date of publication. In announcing these reductions, the previous Government said that the programmes for the later years would be reviewed; but they had not carried out that review before they left office. The difference between the two White Papers also reflects some changes in the information on which the estimates were constructed.

2. The figures for transfer payments included in Cmnd. 5519 and Cmnd. 5879 are not directly comparable. In Cmnd. 5879, the figures included an allowance for the real improvement attributable to the Government’s uprating policy for social security benefits. In Cmnd. 5519 and previous White Papers, the forecasts for social security were based on the latest known rates of benefit at the time the White Paper was published, and any subsequent real improvement in benefit rates was left as a charge on the contingency reserve. It is not possible to quantify how much difference this would make to the Cmnd. 5519 figures shown in the Chart, but the total contingency reserve included in Cmnd. 5519, for both this and other purposes, rose from about £200 million (at 1975 Survey prices) in 1974-75 to about £1 billion in 1977-78.

3. Debt interest, the contingency reserve, and the general deduction for short-fall, have all been excluded from the Chart.
Public expenditure priorities 1977/78

Major programmes as percentage of total

0 2 4 6 8 10 12 14 16 18 20 22%

- Social security
- Education and libraries, science and arts
- Health and personal social services
- Defence
- Nationalised industries capital
- Housing
- Roads and transport
- Other environmental services
- Law, order and protective services
- Trade, industry and employment
- Overseas services
- Agriculture, fisheries and forestry (including food subsidies)
- Other

Notes on Chart B
See notes on Chart A.
Notes on Chart C

1. See notes on Chart A.

2. Defence

The Cmd. 5519 figure for defence in 1977-78 was provisional. Taking into account the reassessment of the cost of the previously planned programme, the difference in the provision for defence amounts (at 1975 Survey prices) to about £440 million in 1977-78, instead of about £230 million; both figures are illustrated on the Chart.

3. Nationalised Industries

The comparison of expenditure on nationalised industries capital investment is affected by the decision to include in Cmd. 5879 a considerably larger forecast of shortfall from the planned programmes. This accounts for £200 million of the difference. The remainder of the difference is more than accounted for by a revision of the electricity investment programme in the light of reduced forecasts of demand.

4. Agriculture

Food subsidies account for about three-quarters of the increase in this programme.
Notes on Chart D

1. The position shown for 1978-79 is Cmd. 5879 updated to 22 May 1975, as in Charts A, B and C. It does not therefore show the position after the ground-rules for the Public Expenditure Review have been applied.

2. Trade, Industry and Employment

Provision for future projects of selective assistance to industry, other than those already approved, is included within the contingency reserve rather than under this programme heading.
Notes on Chart E
See Notes on Chart D.

Functional analysis of public expenditure 1978/79
£ million at 1975 survey prices

N.B. The chart records major items of expenditure only, which accordingly do not sum to the totals.
CABINET

ECONOMIC STRATEGY

Memorandum by the Secretary of State for Energy

1. We have based our economic strategy on the assumption that three factors - North Sea oil, a recovery in world trade, and the cheapness of our exports - will soon work in our favour and themselves halt the recession. But in reality:

   a. Only the net gains from North Sea oil can be counted upon and they only by 1978-79.

   b. The recession in world trade is still deepening and most forecasters do not now expect much recovery until the latter part of 1976 and 1977.

   c. It will at best take several years to regain our relative position as a manufacturing exporter because industry must first invest in product development, marketing and expansion of productive capacity before it can make major gains in the world market.

It is therefore clear that no external factors are going to rescue us within the lifetime of this Government and that while output, employment and investment are falling, we are now accepting policies which will make it impossible for us to escape the post-war vicious circle of low investment, low productivity and pressure on the balance of payments.

2. Our discussion of public expenditure should take realistic account of the severe and prolonged recession now facing Britain and should be based on a new set of priorities for national spending, applied both to the public sector and to the private sector, which are agreed in broad terms with the Trades Union Congress and which will secure the consent of working people. Nor should it be forgotten that the welfare state frustrates savings through unemployment since benefits rise automatically.
3. I suggest that the priorities for national spending through the recession should include:
   a. Raising investment in key sectors.
   b. Maintaining employment.
   c. Protecting low income groups.

Such priorities would mean economies in other areas of investment and cuts in living standards of higher income groups.

4. For the public sector these priorities would mean:
   a. Selective expanding, rather than cutting back, investment by those nationalised industries which can contribute to the future requirements of the economy so that the next world expansion should not be frustrated by lack of productive capacity. The activity of the National Enterprise Board should be concentrated on these industries.
   b. Maintaining employment in public services.
   c. Ensuring that spending cuts do not mean higher charges (such as rents and fares) for low-income groups.
   d. Concentrating cuts where foreign exchange can be saved or resources released for industrial investment.
   e. Imposing spending cuts and/or tax increases which bear on wealthier private organisations and individuals.

5. Spending priorities should equally be observed in the private sector. This requires an urgent start with Planning Agreements. The Bank of England's powers of credit control and exchange control to limit private investment abroad (over £1 billion in the six months October 1974 to March 1975) must be decisively reinforced and their effective use secured. Selective direct controls are needed to prevent a resurgence of property investment and speculation abroad.

6. We must seek agreement on these new priorities for public and private spending. But it will not be sufficient simply to secure an agreed reallocation of a declining total. We must also make sure that the total itself rises to reduce unemployment, and make more use of resources which are available. This can only be done if we adopt a comprehensive programme of protection and foreign exchange saving, and if we implement fully Labour's industrial policy.

A W B

Department of Energy
21 July 1975
CABINET

PEERS' EXPENSES ALLOWANCE

Memorandum by the Lord Privy Seal

1. Like the allowances of Members of Parliament, the Peers' Expenses Allowance is a reimbursement allowance: that is to say, it is a daily limit within which Peers may reclaim actual expenditure incurred for attending sittings of the House of Lords. The allowance was last increased from a maximum of £8.50 a day to one of £11.50 a day on 1 August 1974, at the same time as Members of Parliament received increases in their various allowances. This was the first increase since 1 January 1972.

2. The whole question of the rates and conditions of payment of the allowance has been referred to the Top Salaries Review Body (TSRB). Since it raises important general issues and the TSRB has a heavy workload on other matters, the Review Body will not finally report on this question for some time. In the meantime, in a letter to the Prime Minister of 27 June 1975, Lord Boyle has proposed on behalf of the TSRB that there should be an interim increase in the Allowance to a maximum of £13.50 a day. There were two reasons for this: first, the TSRB had recommended increases in the allowances of Members of Parliament; second, the costs which the Peers' Expenses Allowance was designed to cover had increased quite substantially since 1 August 1974.

3. I am convinced that an increase in the Allowance is now overdue, for the reasons given by Lord Boyle and in view of the increasingly heavy pressure on Members of the House of Lords. The amount of the increase recommended by the TSRB is about 17½ per cent, and this is fairly modest compared with the 28½ per cent increase in the subsistence allowance ("Additional Costs' Allowance") of Members of Parliament which the Government has recently approved. If the increase is agreed, it can be implemented by a resolution of the House of Lords only, and no action in the House of Commons is required.
RECOMMENDATION

4. I invite my colleagues to agree to an interim increase in the Peers' Expenses Allowance from a maximum of £11.50 a day to one of £13.50 a day with effect from 1 August 1975.

Civil Service Department

22 July 1975
CABINET

WHITE PAPER ON MENTAL ILLNESS

Memorandum by the Secretary of State for Social Services

1. Social Services Committee considered on 10 June a draft White Paper on services for the mentally ill in England. In view of our current discussions with local authorities on the control of public expenditure I was asked to seek the reactions of the new Consultative Council on Local Government Finance.

2. When I attended a meeting of the Council on 8 July I was told that the economic realism expressed in the Foreword was helpful; and (subject to a few minor changes that I have now made) that it would be useful to publish soon a White Paper which brought together in one document existing policies on the whole range of services for our mentally ill. In view of this support I propose sending the White Paper for printing with a view to its publication in the early autumn; and I attach a copy of the final text for the information of colleagues.

B A C

Department of Health and Social Security

22 July 1975
FOREWORD

1. Mental illness is a major health problem, perhaps the major health problem of our time. It is also a major social problem. At least 26 million working days are lost each year by people suffering from mental ill-health. Some 5 million people each year consult their general practitioners about a mental health problem. Others seek the help of the social services because a pressing consequence of their psychological disturbance is a social, housing, or domestic crisis. By far the great majority of these people are never referred beyond primary care to the specialist psychiatric services. Many others survive spells of stress and emotional ill-health without any professional help.

2. But though only a small proportion of diagnosed mental illness is referred to the specialist psychiatric services, this proportion represents some 600,000 people each year.

3. It is wrong to think of these 600,000 more seriously ill people as being simply a mental hospital problem. Indeed, there has for years been general recognition of the significance of the social and environmental aspects of mental illness. Yet although it is sixteen years since the Mental Health Act of 1959 gave legislative recognition to the importance of community care, supportive facilities in a non-medical, non-hospital setting are still a comparative rarity. In 1972/3 £200m* was spent on hospital services for the mentally ill; by comparison something under £10m was spent on social services, of which £3-£4m* was on day and residential facilities. In March 1974 31 local authorities had no residential accommodation for the mentally ill and 63 no day facilities.

4. Specialist care is still mainly based in large, geographically isolated mental hospitals, nearly all dating from the last century and designed for custodial care. Their outward appearance is often forbidding. Staffing levels are often less than adequate. The equivalent of 800 full time consultant psychiatrists share clinical responsibility for about 250,000 in-patients each year, over 1½ million out-patient attendances, and more than 2 million day patient attendances. Their numbers are moreover unevenly distributed through the country. Nurses and other professional staff often have similarly daunting responsibilities. Basic facilities and amenities are often lacking. At the last count in 1973 more than 20,000 patients did not have full personal clothing of their own; a similar number did not have a cupboard in which to hang their clothes. Thirty-six hospitals accounting for nearly one-third of in-patients were below the minimum standard set by my Department for domestic staff.

* At November 1973 prices.
5. There have of course been some improvements and changes. The Hospital Advisory Service in their Annual Report for 1973 noted that it was a pleasure to record the improvement in many spheres of psychiatric care in the hospital service. Outpatient and day patient services have expanded and the number of in-patients has fallen.

6. But these improvements are not getting at the core of the problem. What we have to do is to get to grips with shifting the emphasis to community care. The problems are many. Social services facilities - hostels, day centres, group homes - have to be built up from their present minimal levels. Staff to run them have to be recruited and trained, and the implications for trained and experienced social work staff have to be recognised and provided for. Psychiatric services have to be developed locally, in general and community hospitals and in health centres. The balance of resources between health and the personal social services has to be shifted.

7. We have to recognise moreover that the pace at which community based care can be introduced depends not only on resources but on the pace of response of the community itself. That means nearly every one of us, for the likelihood is that each of us has a friend, relative or neighbour with a mental health problem. There is much scope for greater public understanding of the nature of mental illness - in particular for people to appreciate the extent to which modern methods of treatment can succeed in controlling the kind of disturbed behaviour which was associated with admission to a mental hospital 20 or more years ago. But this is only one side of the problem. In recent years community care has been urged - not only for the mentally ill - but for a growing number of different groups of ill or disabled people. All with good reason. But the demands which these make in total upon the community must not be greater than the community can accept.

8. Even in favourable economic circumstances it would obviously take a long term programme to achieve in all parts of the country the kind of change we are advocating. Moreover in a time scale of this dimension advances in knowledge are themselves bound to lead to changes in ideas about the desirable pattern of services. In present economic circumstances there is clearly little or no scope for substantial additional expenditure on health and personal social services, at least for the next few years. What then are we to do? Local services mean more day hospital treatment, more day care, more treatment and support in the home itself; and less in-patient treatment. Indeed the savings on expensive in-patient treatment should mean, taking health and social services together, little increase in total running costs. But the savings and the expenditure are not always simultaneous, and the
not effect, overall, on running costs does not give a complete picture of the implications for different sectors of the health and personal social services. The policy can only be achieved if there is substantial capital investment in new facilities and if there is a significant shift in the balance of services between health and local authority. In the present state of financial stringency we have therefore felt bound to ask ourselves whether we should issue the White Paper at all.

9. It is clear that the scope for making progress during the next few years will be very limited. Without increased community resources the numbers in mental hospitals cannot be expected to fall at the rate they might otherwise have done. Delay in building up local services must mean too that it is unlikely that we shall be able to see in every part of the country the kind of service we would ideally like within even a twenty-five year planning horizon. But equally we must face the fact that any programme for the improvement and development of so large a sector of the health and social services involves substantial investment and a long-term programme. We believe moreover that in a period of severe financial restraint it is even more important that there should be a clear statement of policy objectives against which priorities can be assessed.

10. We have therefore decided to proceed with publication of the White Paper, but on the basis that it is a long-term strategic document indicating the general direction in which we should move and the general background against which we should be taking decisions. I cannot overemphasise that this White Paper must not be regarded as setting out a specific programme: it is simply a statement of objectives against which shorter term decisions can be made. Very little material progress in the shape of new physical development is to be expected in the next few years. Moreover the timescale for further significant progress must depend on the general economic situation and has therefore at present to be left open. It will be for Central Government, after due consultation with health and local authorities, to plan on a national basis the use of the funds available within the constraints of the economic situation for the health and personal social services as a whole; and for the matching health and local authorities through joint planning and collaboration to make the most effective local use of the financial resources available to them both. We thus see the next three or four years as a time for health and local authorities firstly to do whatever is possible within the very limited resources available - and there is much that can be done without necessarily using extra money through changes of attitude and more effective use of resources; but also to look ahead and together, on the basis of the policies set out in this White Paper, to agree on what should be done when additional resources do become available. This will mean agreeing for example on which local services should be developed first and which will have to continue, at least for some years, to be based on existing mental hospitals.
## BETTER SERVICES FOR THE MENTALLY ILL

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CHAPTER 3  TEAMWORK IN THE NEW PATTERN OF SERVICES

An important aspect of the Government's strategy is the development of the right organisational relationships between the various professional and lay groups concerned with the care of the mentally ill at local level. Such teamwork is essential if the various facilities are to operate as a comprehensive service of treatment and care.

The primary care team
The specialist therapeutic team
Social work staff
Volunteers
Family care

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Facilities for the elderly

Social services
General policy
Day care
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Homes for the elderly mentally infirm

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Summary of guidelines

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Treatment in conditions of security
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Housing needs

Employment needs

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Employment rehabilitation
Vocational training
Sheltered employment

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The continuing and wide ranging discussion about the way in which child and adolescent psychiatric services should be developed. No definitive policy statement in this White Paper. A consultation paper to be issued in the light inter alia of the recommendations of the Court Committee. In the meantime attention drawn to the principal concepts which have emerged from the debate so far.

Children

The nature of childhood disturbance
The needs of disturbed children
Organisation of services

Adolescents

The nature of disturbance in adolescents
Need for psychiatric help
Organisation and planning of services

CHAPTER 8  ALCOHOL AND DRUG DEPENDENCE AND MISUSE

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Alcoholism

Prevalence
Prevention
Treatment and rehabilitation
The future
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A significant improvement in the levels of staffing in key disciplines necessary for the successful operation of the new pattern of service. Provisional targets proposed for consultant medical staff and nurses. The further development of training of particular importance for social services staff and others.

Medical staff
- General psychiatry
- Forensic psychiatry
- Child psychiatry
- Adolescent psychiatry
- Training

Nursing staff
- District psychiatric nursing service
- Targets

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Psychologists

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CHAPTER 10 RESEARCH AND EVALUATION

Research an essential element in the further development of the Government's policies. The review of research priorities in the field of services for the mentally ill carried out by the Department of Health and Social Security with the assistance of their Chief Scientist's Organisation.

The importance of research

Management and research

Priorities for research concerned with services

Worcester development project

Southampton project
PROGRESS TOWARDS THE NEW SERVICE

The considerable gap between existing services and the new pattern of service advocated in this White Paper. More emphasis on day hospital treatment, day care, and treatment and support in the home itself and less on inpatient treatment should mean, taking health and social services together, little increase in running costs. But substantial capital investment in new facilities is required and also a shift in the balance of services between health and local authority. In present economic circumstances the next few years seen as a time to make the best use of existing resources, but also for health and local authorities jointly to plan what should be done when additional resources do become available.

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Research an essential element in the further development of the Government's policies. The review of research priorities in the field of services for the mentally ill carried out by the Department of Health and Social Security with the assistance of their Chief Scientific Organization.

The Importance of research
Management and research
Priorities for research concerned with services
Worcester development project
Southampton project
CHAPTER 1
THE NATURE OF THE PROBLEM

The nature and classification of mental illness

Mental illness and mental health

1.1 Mental illness and conversely mental health is notoriously difficult to define. There is now a deep interest in the psychological aspects of human behaviour, collectively as well as individually, an interest which is constantly extending to new facets of everyday life in society. There is growing recognition of the relationship between behaviour and environment; and indeed there are probably few aspects of public and private activity that have not been held to have some effect whether direct or indirect on our psychological well-being. At the individual level there is an increasing readiness to seek counselling, or other forms of professional psychiatric help over an ever wider range of personal psychological problems. As our knowledge and awareness of the inter-relationship between physical, emotional, social and environmental factors increases so no doubt this process will continue; more people will seek help and the boundary of what we collectively regard as mental ill health will be set further back. Indeed we must recognise that the potential demand for psychiatric help is virtually unlimited(1). We must ask ourselves to what extent such demands are realistic: not only in terms of finance and manpower, for manpower constraints will inevitably impose their own limits, but also in as much as they represent unreal expectations of what psychiatric help can do.

1.2 Changes in the nature of the problems for which individuals consider they need psychiatric help imperceptibly change society's general concept of what is mental illness and what is not; how far behaviour can be regarded as eccentricity and a reflection of individual personality; how far behaviour calls for punishment and how far for treatment. But we should beware of over emphasising this, particularly in the context of current psychiatric practice in this country. It is new advances in scientific knowledge and understanding that have enabled for example of the sufferings of the housebound phobic or the young girl starving herself through anorexia nervosa for what they are - namely the manifestation of mental illnesses for which it is both humane and realistic to offer professional help.

1.3 How do we then define mental illness? On the one hand 'mental illness as a term probably still has a certain stigma attached to it and most of us probably draw our own fine dividing line between the more comprehensible and respectable forms of mental ill health and the more frightening or

(1) - as long ago as 1966 a research study suggested the presence in all communities surveyed of a large sub-group of emotionally sick or emotionally disturbed patients amounting to between 1/5 and 1/10 of the total population.
distressing forms which we privately label as mental illness. But on this kind of definition the mentally ill would constitute only a small proportion — in practice mainly those with psychotic illness — of the total numbers of those who are currently seeking and receiving help from general practitioners and psychiatrists for psychological problems of various kinds, from severe depression, and phobias, through a whole range of sexual, marital and other human relationship problems. Equally we have to acknowledge that there are many problems of human behaviour — often causing great distress — for which psychiatry can offer little or no remedy and for which other forms of help and support may be more relevant. Attempted suicide is often a case in point. In recent years the numbers of attempted suicides have risen sharply. Research suggests that only a minority of those concerned suffer from psychiatric illness as such; but often there is a background of longstanding personality and relationship difficulties.

Is mental illness increasing?

1.4 The difficulties involved in measuring the prevalence of mental illness and in particular in making comparisons between prevalence rates in different places and at different points in time will be immediately apparent. The point has already been made both that to some extent society is constantly redefining its concept of mental ill-health, and that advances in scientific knowledge enable us to understand and treat mental suffering which, insofar as it was previously untreatable, was in the past not regarded as illness. These two processes go hand in hand. Surveys of prevalence based on the number of contacts made with relevant health and social services will only reflect the extent to which people in practice seek professional help for their psychiatric or psychological problems. Conversely as and when new treatments are developed and facilities are both readily available and accessible they will themselves call forth new demands. Morbidity surveys run up against the difficulty that they are liable to reflect individual researchers' concepts of mental illness.

1.5 We are tending to widen our definition and our recognition of psychological distress. But is the underlying incidence of such distress also increasing? Are we in fact living in a society which is positively giving rise to mental ill health? There is no hard evidence to confirm that the incidence of mental illness is increasing but undoubtedly there are features of modern industrial society which many people feel make them more vulnerable to mental stress: high rise flats for families with young children; production line work with no
job satisfaction; the break-up of the large family unit; overcrowded living conditions; the pressures of advertising with its suggestions of 'norms' of happiness, friendship and sexual satisfaction and the consequent feelings of inadequacy among those who have not achieved them.

Estimates of prevalence

1.6 The second National Morbidity Survey carried out in 1970-71 by the Office of Population Censuses and Surveys surveyed 53 general practices serving some 300,000 people, and found that on average over the year 1 in 14 males and 1 in 7 females consulted their general practitioner for some form of mental illness. This would be equivalent to about 5 million people nationally. However several recent surveys have suggested that general practitioners themselves may not always detect psychiatric symptoms - or recognise them as such - and there is little doubt that much mental illness, some of it serious, goes undiagnosed and untreated. True need is almost certainly much greater than present demand.

The proportion of those who consult their general practitioner who are referred to the specialist services is about 12 per cent. It has been estimated that about 600,000 people nationally receive specialist psychiatric services each year. This estimate is based on information from psychiatric case registers which have been established in some parts of England and Scotland and on which all contacts with specialist services from a given population are recorded. But numbers however great cannot measure the sum of human misery, the tragic waste to the community of creative talents, drive and enthusiasm and the bitter disruption of family life and relationships which mental illness often brings.

Classification by diagnostic group

1.7 Over recent decades there has been much debate both within and between different professional groups about the nature and classification of mental illness. The increased involvement of a widening range of professions - psychologists, social workers, sociologists, geneticists and biochemists has led to the recognition of new dimensions of the problem and new theories. What is perhaps most encouraging and indeed impressive, given the enormous scope of the problem, is that in recent years widespread research has led to a growing consensus of opinion among the different disciplines that mental illness is not the result of any single factor but is caused by a wide range of factors, social, familial, genetic, and is similarly multi-faceted in its manifestation. Classification is not easy; there is often overlap between some of the generally accepted diagnostic groupings and the severity of symptoms for the same diagnosis varies from one individual to another. Such problems are however found in all branches of medicine to varying degrees and are by no means confined to psychiatry. Similarly, as in other fields, a clinical diagnosis by itself will often be of limited significance in determining certain of the patient's needs. But in the field of mental illness there can on occasion be a real danger in giving a patient a diagnostic label, particularly where
this is liable to follow him throughout his life and place him on the wrong side of the dividing line between public acceptance and understanding, and public rejection and fear.

1.8 Classification is however important. It is the starting point for much comparative research, for investigating the causation of identified patterns of psychiatric disturbance, and it is through informed debate that further knowledge and understanding will be gained. While therefore in the following paragraphs mental illness is described on the basis of the Mental Disorders section of the International Classification of Diseases, this is done in full recognition of the limitations of any one approach.

The Neuroses

1.9 The principal distinction normally drawn is that between the psychoses and the neuroses, the sufferer from neurotic illness retains his consciousness of the real world about him but certain of his behaviour patterns become exaggerated by fears or depression to such an extent that they interfere with his normal daily life. People with neurotic conditions account probably for more than one third of all referrals to psychiatric services. Depression and anxiety or tension states are perhaps the most common. The OPCS survey found that during 1970/71 20 men per 1000 and 46 women per 1000 attended general practice with a diagnosis of anxiety neurosis. The corresponding figures for depressive neurosis were 14 and 46 per 1000. Depression and anxiety states will vary greatly in degree, in some cases being no more than a relatively short lived response perhaps to bereavement or a new situation, in others severe and prolonged and with no obvious external cause. It should be emphasised that the prevalence of these conditions is much greater than that of psychotic illness.

The Psychoses

1.10 To those around him, the sufferer from psychotic illness, as the condition advances, is distinguished by his tendency to lose contact with his surroundings and his distorted view of the world around him. The largest single group of psychoses are those known as schizophrenia or the schizophrenias. The onset of schizophrenia, perhaps the most disabling of all forms of mental illness, occurs generally in the teens to early adulthood with hospital admission rates being highest among the 25–34 age group. The prevalence rate for adults, in terms of numbers of people in contact with the specialist psychiatric services in any one year is approximately one in 300. Schizophrenia is often accompanied by a withdrawal into a world of fantasy and auditory hallucinations, with disturbance of volition or drive, and as it progresses there may be accompanying physical deterioration. A variant may start with the onset of delusions of persecution. Another group of psychoses, known as affective psychoses, have been estimated as...
having a comparable prevalence rate of about one in 280. They tend to occur later in life and are characterised by changes of mood that cannot be accounted for by external causes alone. The schizophrenias and the affective psychoses are together included in a group of mental illnesses known as the functional psychoses. Though no single theory of causation has yet been established it is possible that they have an inherited biochemical basis, but are precipitated by environmental factors. There is a clearer understanding of the physical basis of a further group, known as the organic psychoses. Acute confusional states may be reversible depending on the associated physical condition. Dementia on the other hand, seen mainly in the elderly, is the result of the death of some brain cells and leads to intellectual deterioration and lack of emotional control and drive. It is an irreversible and generally progressive process, the prevalence of which has been shown to increase greatly among persons in their late seventies and eighties.

Psychopathic disorder

1.11 The Mental Health Act 1959 defined psychopathic disorder as 'a persistent disorder or disability of the mind (whether or not including subnormality of intelligence) which results in abnormally aggressive or seriously irresponsible conduct on the part of the patient and requires or is susceptible to medical treatment'. The term 'psychopath' has come to carry considerable stigma and there has been a reaction against it in favour of 'personality disorder with antisocial trends' since this is thought to convey a better idea of the range of problems involved. Personality disorders affect people of a wide intelligence range, and seem to be inherent personality traits rather than illnesses as such. Those with personality disorders have in some cases an apparent lack of ordinary appreciation for the feelings of others, and a common characteristic is an inability to learn by experience. They are often considered as having an immaturity of personality which may manifest itself in many different ways: at one end of the spectrum they may be highly disruptive members of society and commit serious crimes. At the other it may result in no more than an inability to organise a settled life, often with a consequent tragic descent down the social scale. The individual's basic difficulty in coming to terms with society
may, however, manifest itself in many ways each in some way an attempt to resolve his apparently insoluble problems.

1.12 There is considerable uncertainty about the extent to which people with personality disorders can be helped by the mental health services and there is undoubtedly a need for further research and new approaches in this field. It is generally accepted that such people do not readily respond to traditional psychiatric treatment and indeed there are difficulties of principle in determining those cases in which it is proper to regard a behaviour pattern as a 'disorder'. Nonetheless in recent years there has been a sharp increase in the number of admissions to hospital for personality and behaviour disorders. People with serious personality disorders not infrequently become involved with the Police. These also present considerable problems for social services departments. There has recently been much debate as to whether and if so to what extent it is appropriate for them to be admitted compulsorily to psychiatric hospitals. The present position is that the concept of susceptibility to medical treatment is applied to compulsory admission; and this has led to difficulties in certain areas in the placement of psychopaths appearing before the Courts. The question of psychopaths who offend against the law is currently being studied by the Committee on Mentally Abnormal Offenders.

Alcoholism and drug addiction

1.13 Alcoholics and drug addicts can be seen as those whose repeated and excessive use or misuse of alcohol or drugs has led, whether singly or in combination, to social, psychological, or somatic harm including the development of dependence. Dependence may be physical and it may be psychological and has elements therefore, of both compulsion and habit. A difference from the illnesses described above is that the availability of the "agent", be it alcohol or drugs, as well as social, cultural, personality and physical factors may have contributed to its growth. Alcoholism and drug dependence are not mental illnesses in themselves, though some mental illness may accompany them or arise as a consequence; the psychological component in dependence is commonly treated by or under the general direction of a psychiatrist. No account of the psychiatric services would be complete without some account of the services needed by those who are dependent on alcohol or drugs, or who harm themselves by misusing them.

Distinction between mental illness and mental handicap

1.14 Mental illness is quite distinct from mental handicap. Mental handicap is usually determined before or during birth or in the early weeks of life and is characterised by intellectual retardation which affects the ability to learn and reason. It may be accompanied by physical and psychiatric handicaps.

Though the development of the mentally handicapped person can be improved by training, education and social care, mental handicap cannot be cured and is a life-long condition. Mental illness however can occur at any age and affects people of every intellectual level. (Some mentally handicapped people also suffer from mental illness.) While in the present state of medical knowledge by no means all forms of mental illness can be completely relieved, advances
over the last 20 years mean that most functional mental illnesses will now respond to treatment.

The needs of the mentally ill

1.15 These clinical labels reveal relatively little about what it means to be mentally ill or to live with someone who is so afflicted, or by implication what the needs of the mentally ill are in terms of services. In one sense it is misleading to attempt any generalised statement about the needs of the mentally ill. The needs of any one mentally ill person are always different from another even though they may have the same diagnostic label.

It is not merely that need depends on factors such as age, whether there is home support or a sympathetic employer, but rather that the manifestation of the illness itself will to some extent be coloured by the personality and home environment of the individual. Viewed from the individual level, need is personal and it is important that those working with the patient should see his problems in this way. At the same time these individual perspectives should not mask the significance either of the clinical factors whose identification is fundamental to scientific classification, or of those needs for certain kinds of help which the mentally ill have in common, which are discussed below, and which form the basis of any attempt at national or local planning of services for them. We must aim therefore at a range of facilities which can be used by professional staff to provide for each individual the particular combination of care, treatment and support he needs at any point in time.

1.16 Not only does need vary qualitatively between different individuals, it varies quantitively, especially in the length of time for which support and treatment may be required. Much emphasis has been laid, and rightly, on the revolution which has taken place in the treatment of the mentally ill in recent years. This has meant that for many mentally ill people, psychiatric treatment need mean no more than a spell of out-patient or day patient visits or a very few weeks as an in-patient. Nevertheless there will remain some people who, although their more acute symptoms can be relieved will need more or less permanent medical, social and nursing support in a sheltered environment. While this group may be relatively few in number their needs must be recognised, especially as the implications in terms of resources are quite disproportionate to their numbers. Another important group are those with mental illness symptoms related to old age. Increasing longevity is bringing its own problems in this respect.

Prevention

1.17 In the absence of more precise knowledge primary prevention can only be considered in the rather broad terms of reducing the exposure of individuals to those circumstances
and conditions which are likely to place their mental health at risk. Healthy physical, mental and emotional development in childhood is obviously particularly important. Reference has been made already to the wide range of social and environmental conditions which may increase vulnerability to mental illness. The precise weight to be attached to them can rarely be established: poverty, unemployment, lack of job satisfaction and poor working conditions, bad housing, are themselves often a cause of marital stress and breakdown in family life. For some of these central and local authority has a responsibility; but it would be wrong to pretend that we are anywhere near being able to draw up a positive plan for a society conducive to mental health.

1.10 Nevertheless we can take some steps to put right some of the clearly unsatisfactory aspects of our social environment. In the field of employment for example the Employment Medical Advisory Service of the Health and Safety Executive has created a senior appointment in mental health to examine the problems of stress in modern industrial life and offer advice to industry and the unions. It is anticipated that a small team of specialists will be available to undertake surveys and studies, and arrange for appropriate research work with outside bodies such as the Medical Research Council. In this area, the Employment Medical Advisory Service will co-operate closely with the Work Research Unit of the Department of Employment, set up in 1974 to assist organisations in taking practical steps towards increasing the quality of working life by improving the design of jobs and organisation of work. Similarly in its approach to housing problems the Government has taken steps notably through the Housing Act 1974, to ensure that resources are concentrated on the areas of greatest stress.

1.19 Employers, managers, environmental planners all need to bear in mind the potential impact of their decisions on people's mental well-being. The lessons of high rise flats are an illustration; and it is to be hoped that local housing authorities in particular will increasingly take into account the question of mental health when considering the effect of new developments on existing communities. Rarely will there be easy answers, but it is a dimension of planning which should be acknowledged.
The growth of a wide variety of community development and self help schemes, clubs and societies is particularly encouraging. Such organisations can provide a whole range of sources of help which though perhaps not specifically directed at mental health have an important part to play in providing those at risk with additional psychological or social resources. Marriage guidance, vocational guidance, clubs and recreational facilities, church and voluntary organisations, education for leisure and retirement, are all relevant. Organisations and services which are specifically aimed to help in particular crises such as marital breakdown, pregnancy, bereavement, retirement or redundancy are of special importance. Collectively and individually we each have a responsibility to be sensitive to the emotional and psychological needs of those who are vulnerable.

Early recognition

The individual himself may be unaware of his condition. Those around him and even professional staff may not recognise it initially. Mental illness may often be hidden beneath a wide variety of presenting problems: an ostensibly physical complaint, marital and family problems, quarrels with neighbours, accident proneness at work and delinquency may all have their roots in mental illness. Moreover sometimes the person for whom help is apparently sought may not be the only one in need of professional support: the parents, for example, of a disturbed child may themselves require psychiatric help. Services must be organised and professional staff trained to recognise the early stages of psychiatric disturbance and to arrange referral to the appropriate services. Early intervention may often serve to prevent the condition deteriorating to the point at which a severe crisis occurs and hospital admission becomes the only possible solution.

Assessment

Assessment of needs must take account of the effects of mental illness on almost every aspect of a person's life. It should be a continuing process involving all the professions concerned, aimed at reducing as swiftly as possible the damaging effects of illness. The importance of multiprofessional assessment lies not least in the interchange of views between assessors. Not only is this essential in the development of an accurate, broad based assessment but the assessment by each individual discipline is often influenced by those of others.

Clinical Treatment

General practitioners working with other primary care staff at present undertake the medical treatment of nearly 90% of diagnosed mental illness and
it seems unlikely that this pattern of care will change significantly. It is, however, important that those people who need specialist treatment are accurately identified and promptly referred to specialist services. Equally, it is important that specialist help should be readily available to the primary care teams.

1.24 For those who require specialist medical and nursing care and treatment facilities need to be available locally; and these need to be designed to enable both physical and psychological forms of treatment to be practised. A local service means that patients can easily attend as day or out-patients and professional staff can be on the spot to help patients and their families. In some cases admission to hospital as an in-patient will be necessary, either because the illness warrants 24 hour medical and nursing supervision for a time or because the home circumstances are so intimately connected with the illness that a move from the home is an essential step for objective assessment. In general, however, the need for inpatient treatment is declining. So also is the need for treatment to be given under conditions of physical security. Contrary to general public belief, the most serious forms of mental illness are rarely associated with aggression although they may give rise on occasion - and for short periods - to behaviour which is distressing and perhaps frightening to the layman. Nevertheless it is important that the need for treatment under secure conditions, although for a relatively small number of patients, should be recognised and provision made accordingly.

Social rehabilitation

1.25 Mental illness often fundamentally affects social adjustment.

...
responsibility of organising his life.

1.2 Social rehabilitation has also to be considered from the standpoint of the community in the wider sense.

The pace of development of community services for the mentally ill is dependent partly on changes in attitude by the community.

It is also dependent on the community's capacity to adjust to the implications of community care for other groups - for example, the mentally handicapped, the physically handicapped, the elderly mentally infirm. We must ensure that the community is not itself overwhelmed.

Help for the family

1.27 Living with people who have had or who are recovering from mental illness can place heavy strains on a family.

The mentally ill do not always fit easily into the family circle or adapt to the family routine: meal times, social activities, entertaining may be disrupted and the family can rapidly become socially isolated. If the mother is ill, the father may find himself having to take time off work and the family income may fall. Special arrangements may need to be made for the care of the children. Research studies have already shown that the children of mentally ill parents are themselves more likely to suffer from mental illness. The family may become afraid to leave a withdrawn and uncommunicative member alone; and they too may become virtually housebound, often giving up sources of income and interest. Under such stresses the family may become torn between their determination not to reject the individual member, and a desperate need for relief and support. Feelings of guilt may be accentuated where there are brothers or sisters living at home, competing for their parents' attention and resentful of the way in which their own lives and friendships are disrupted.

1.28 Some families may be able - and indeed wish - to undertake the demanding task of care. But in these cases it is essential that they receive adequate support and advice from professional staff and that services should be organised to give them effective relief: to enable them to go on holiday and to cope with more urgent domestic crises which may make continued care impractical from time to time, or simply to allow them some respite from the sheer physical and emotional strain.
Accommodation

1.19 For some families this strain may prove quite intolerable. In other cases, although the family is willing, it may be that – at any rate for a time – taking his place again within the family will constitute too severe an emotional and psychological strain on the individual himself. Sometimes, moreover the patient has no home to return to. An important requirement must therefore be to provide alternative arrangements so that a person who is or has been mentally ill can have the equivalent of a secure home and the company of others. The support of professional staff may be needed where he is able to cope with only a limited number of the complexities of daily life. Without such support he may neglect himself, become isolated and withdrawn, and his mental and physical health may deteriorate.

Employment

1.30 Mental illness sometimes results in an impairment of an individual’s ability to occupy himself in a constructive way and in the more formal sense to pursue his normal employment. He may be unable to keep regular hours, to deal with colleagues or staff, or to keep up an adequate output under pressure. Many people can redevelop their capacity for work but they will need training facilities and help in finding employers sympathetic to their needs. During their illness they will need help and encouragement so that the rhythm and discipline of working, and the ability to occupy leisure time are not lost. Those who are left with a residual disability making them unable to return to their former field of employment need to be given the opportunity to learn new skills suited to their new situation.

Flexibility and co-operation

1.31 The above paragraphs have referred briefly and in general terms to users’ needs. Later Chapters describe the services which are envisaged to meet them. They involve many professional disciplines and a number of different statutory authorities. The individual client or patient and his family cannot however be expected, particularly at times of severe psychological strain, to analyse the complexity of pressing clinical, financial, domestic, housing or employment problems into watertight compartments relating to different authorities. The hallmark of a good service for the mentally ill is a high degree of local co-ordination. The organisation of services in the future must be sufficiently flexible to enable
them to identify and respond to widely varying individual needs for care and support, yet with areas of responsibility, and lines of communication sufficiently clearcut to enable action to be taken quickly and effectively. It is particularly important that patients should be able to move easily between different parts of the service - from hospital to residential and day care - and if necessary back to hospital again. At all times, the individual and his family should feel that they are dealing with a single integrated service.

1.32 The individual and his family must also be made to feel that they themselves have a positive contribution to make to the whole process of treatment, care and rehabilitation. They should be encouraged wherever possible to discuss with the professional staff involved the various needs and the way in which these might be met. The patient's family is often anxious and willing to help and should be given every opportunity and encouragement to do so.
CHAPTER 2

DEVELOPMENTS IN SERVICES FOR THE MENTALLY ILL

Services up to 1961

The Victorian Inheritance

2.1 The facilities we have at present to serve the mentally ill are largely an inheritance bequeathed to us by the Victorians. Of the 100 or so hospitals providing treatment solely for the mentally ill now in existence, most were built in the nineteenth century and some have an even longer history. Most are very large - a number were built to accommodate 2,000 or more patients; and were deliberately built in areas which were then, and in many cases still are, isolated and remote from centres of population. The aim was twofold; partly to protect society by providing custodial care behind locked doors and high walls and partly to protect the patient by providing him with a secure shelter. A remote site in the country was therefore desirable on both counts, and had the added advantage that it enabled many patients to have the benefit of wholesome work in the open air.

In an era which lacked modern medicine, had but the most rudimentary welfare services and no system of social security payments, the large mental hospital was designed to be as far as possible a self-sufficient community meeting the patient's need at once for care and custody.

The Drugs Revolution of the 1950s

2.2 From the time these hospitals were built and right up to the year 1954, the number of resident patients in mental illness hospitals went on steadily increasing save for a small temporary reduction during each of the two World Wars. No new mental illness hospitals were however built after the 1930s and by the early 1950s many were becoming severely overcrowded. Serious thought was then being given to the need to build new mental hospitals; but fortunately the first half of the 1950s saw major developments in drug treatment, in particular with the drug group known as the phenothiazines. The particular significance of these drugs lay in the fact that they enabled doctors to control the disturbed behaviour of the psychotic patient. As a result not only was the need for locked doors greatly reduced, but it was also possible for doctors and nurses to
develop contact with patients who had hitherto been almost entirely cut off from the real world around them by their psychotic illness. These drugs did not cure illness: but they did enable symptoms to be controlled and relieved and hence made it possible to prevent or at least reduce to a considerable extent the social and personal deterioration accompanying prolonged psychotic illness. The discovery of the phenothiazines, and more recently the long acting derivatives, was important but one should not underestimate the significance of other developments: changes in staff attitudes; the introduction of non-physical approaches to treatment; the development of social security and other forms of support outside hospital. Together these developments led to what has been called the "open-door" policy. The function of the hospital was seen increasingly as being for treatment and rehabilitation rather than care and control. With the growing realisation that so many patients could be treated as day patients or out-patients, admission for long term in-patient treatment became less necessary. This changing approach also led to the development of small psychiatric units in general hospitals for treating some mentally ill people locally, instead of at large distant specialist hospitals.

The Royal Commission of 1957 and the Mental Health Act 1959

The Royal Commission on the Law Relating to Mental Illness and Mental Deficiency, and its legislative sequel, the Mental Health Act 1959 gave formal recognition to the fundamental change in approach which was taking place. The Act made far reaching changes in the procedures for admission to a mental hospital: for the great majority of patients, admission for psychiatric treatment now entailed no more formality than admission for any other form of hospital treatment. This emphasised the hospital's role as a place for treatment and not merely custody.

Directions under the National Health Service Act placed new duties on what were then the health departments of local authorities to provide for the care and after-care of mentally ill people outside hospital.
Projections of Declining Numbers of In-Patients

By the end of the 1950s the repercussions of the new forms of treatment were being dramatically reflected in bed numbers. From 3.4 per 1,000 population in 1954, the number of occupied beds had already fallen to 3.1 per 1,000 by 1960. Projections made in 1961 by Statisticians at the General Register Office suggested that in the future some 0.9 beds per 1,000 population would be needed for patients staying less than 2 years; and that a further 0.9 would be required for newly arising longer stay patients. The projections further suggested that none of the patients then in hospital would still be there in 15 years or so. The 1962 Hospital Plan recognised the place of the short-stay psychiatric unit as a part of the general hospital and envisaged that many of the existing mental hospitals would have no place in the new pattern of service.

The underlying movement to community care

2.5 The underlying movement was becoming clearly discernible, namely of bringing into closer relationship services for the mentally ill whether in hospital or outside it, with services for other forms of illness and handicap. Psychiatry was

* Lancet, 1st April 1961, p.710

† Hospital Plan for England and Wales, 1962, Cmnd 1604.
coming in out of the cold. The report of the Royal Commission commented:
"The mental health services would lose much more than they could gain by a return
to isolation and separation, and it would be most unfortunate if schemes for
co-ordination between hospitals and local authorities were not to be accompanied
by correspondingly close contact with other parts of their own services."

How far have expectations been fulfilled?

2.6 It is now some 15 years since this watershed. How far have hopes been
fulfilled: how far frustrated and disappointed? The process of integrating
psychiatric with general hospital and community services has gathered strength.
There are now a considerable number of general hospital psychiatric units -
although varying considerably in size and adequacy of accommodation. There is
greater emphasis in undergraduate medical education on psychiatric illness.
Only one of the provincial medical schools lacks an Academic Department of
Psychiatry. There are however still no such Departments at four of the London
medical schools. Social work support and services for the mentally ill are now an
integral part of the responsibility of local authority social services departments.
The process has not always been smooth. The case, for example, for the integrated
social services department was hotly debated. Both in the medical and social work
fields those concerned with the mental illness services still face the very real
dilemma of wanting the benefits of integration, yet wishing to retain the different
approach to therapy that mental as distinct from physical illness so often requires;
of wanting to be an integral part of the general pattern of health and social
service facilities, but yet wishing to ensure that the special additional needs
of the mentally ill are recognised and provided for.

Physical and non-physical methods of treatment

2.7 Drug treatments continue to be widely used, and have played a major part in
facilitating the decline in length of in-patient stay for many patients, and the
rapid growth of day and out-patient treatment. It has to be recognised however,
that research has still not shown the precise mechanism by which these drugs have
their effect. Some argue that drugs are used too much; that they treat symptoms
only and ignore underlying social, psychological and environmental causes of mental
illness, for which psychological methods are more appropriate. In particular some
stress the importance of family and personal relationships as a factor in causing
mental illness and argue that treatment must take account of this. There
are those who argue that often it is society or the family which is disturbed
rather than the individual patient. Others are equally convinced of the importance
of biochemical factors in causation and argue that from this viewpoint drug
treatment is the logical remedy. The issues are widely discussed and debated;
but what seems beyond doubt is that mental illness is a highly complex phenomenon,
taking many forms and caused by a variety of different factors. In recognition
of this, the great majority of psychiatrists deliberately adopt an eclectic approach
to treatment. While the choice of treatment is a matter for professional
judgement, the patient and his family have to find the choice acceptable. Although
what doctors say to individual patients about their illness must be a matter for
clinical discretion, there would seem to be much to be said, as a matter of
principle, for accepting the need to explain to the patient and his family the
nature of the illness
and the doctor's particular approach to its treatment.

The "open door" policy

2.8

In one sense there has been very considerable progress towards community based
services, in that the great majority of psychiatric hospitals and units
increasingly see themselves as serving a population that extends far beyond the
hospital walls. Out-patient attendances number 1½ million a year, day patient
attendances 2 million. Psychiatric nurses are working more and more with patients
and their families in their own homes. But by and large the non-hospital
community resources are still minimal, though where facilities have been developed
they have in general proved successful. The failure, for which central
government as much as local government is responsible, to develop anything
approaching adequate social services is perhaps the greatest disappointment of
the last 15 years. As a result the balance of existing facilities - health and
social services - bears increasingly less relation to acknowledged needs.
Hospital staff have, rightly in one sense, come to see their role as an active
therapeutic one and the hospital as a place for providing medical treatment and
nursing care. So they have become increasingly unwilling to act as social care
custodians for those who would not need to remain in hospital were supporting
facilities available in the community. But we have to face the fact that
adequate supporting facilities in the community are not generally available. For
many years this will pose a continuing problem to which there is no easy answer
and it places on the staff of the mental hospitals very real frustrations.

Much of their effort in the past has been directed to developing
intensive treatment and rehabilitation leading to discharge back to the community. Largely as a result the gross overcrowding of earlier years has in general been considerably reduced. Naturally they wish to see further progress in this direction. Clearly people should not be admitted to hospital who have no need for treatment; but admission and discharge policies must be realistic and take account of the local availability of supporting social services. If they do not, they put at risk the whole principle of community care in the eyes of the public. The Government for its part intends to see that over the years the balance of health and social services is put right.

2.9 The frustrations and dilemmas of this situation have been felt no less by the great majority of local authorities who have been anxious to develop their services for the mentally ill, but who have been constrained by the limits on resources and the increasing and competing demands for new developments throughout the whole social services field.

2.10 The term "open-door hospital" has, like "community care" become with time something of a catchphrase. Such phrases tend to acquire an oversimplified meaning and it may be worth examining what this concept means in terms of present day psychiatry. It should clearly be regarded as signifying an approach to treatment rather than a factual description of the physical arrangements at the hospital. Wards may be unlocked but professional judgement needs to be exercised as to whether a particular patient at a particular time should not be sufficiently supervised at least to prevent his leaving the hospital and abandoning his treatment. The extent to which physical security is needed is a separate issue discussed in Chapter 5, but adequate supervision of the relatively few patients who require it, is important for public trust and confidence in the overall pattern of care.
New dilemmas for some patients

'Difficult' patients

2.11 The emphasis on "open door" and active treatment and rehabilitation has brought inestimable benefit for the vast majority of patients. The question must however be asked whether these developments which have so benefited the great majority, have not produced new dilemmas in relation to the care and treatment of certain minority groups and led for example to a polarisation between the 'open' system on the one hand and the 'security' system on the other.

In recent years some psychiatrists - and nursing staff - have become increasingly reluctant to accept in "open door" hospitals or units patients with difficult behaviour problems. Such reluctance moreover extends not only to patients whose behaviour is continuously difficult, but sometimes also to patients who exhibit only occasional minor violence. The reasons for this reluctance are complex. In some cases staff shortages may genuinely make it impossible to manage frequently violent patient; whereas in the case of the persistently difficult patient requiring continuing physical security the problem may be one of providing security for a very small number of patients in circumstances in which it is not required for the majority.

2.12 In other cases there may be a reluctance to admit as a patient someone who not only disrupts the treatment of others but for whom the professional staff may have little to offer in terms of treatment. Often such patients have a long history of repeated admissions to mental hospitals; often they discharge themselves after only a day or so in hospital, perhaps only to end up in court or as vagrants, or after a varying interval to return themselves to hospital. One can understand the wish not to admit to hospital a person whom the staff have repeatedly tried to help without apparent success. But the public understandably become concerned when people who are clearly inadequate or behaviourally disturbed are refused admission to hospital and end up for example in prison. The Government has great sympathy with this concern; and believes that until the right supporting social services can be developed the health and social services must accept a joint
responsibility for the care of these people and offer such help as they can. It should perhaps be emphasised that repeated admissions should not necessarily be regarded as indicating failure on the part of the health and social services. Although in some cases it may well be true that inadequate treatment or follow-up results in relapse and the "open door" becomes a "revolving door" there are people whose needs are best met by a series of relatively brief admissions aimed at managing particular episodes of disturbance.

2.13 What is required is a service which is flexible and capable of dealing at local level wherever possible, with the difficult behaviour and violence which may occur from time to time during the treatment of particular patients. The aim should be to keep the use of special "security" provision to the very small minority of patients who cannot otherwise be safely catered for. It is necessary both to bear in mind the interests of the surrounding community and the need to prevent unnecessary restrictions on individual liberty. What is required is a range of provision, from the informal and open to the formal security units and special hospitals.

Those with chronic illness

2.14 The numbers of difficult and violent patients are relatively quite small. A more substantial minority group are those with chronic psychiatric illness, such as some forms of schizophrenia, who require long-term treatment, care and support. Those who require continuing care, though not necessarily medical or nursing care are particularly vulnerable to the present virtual total absence of long-stay sheltered accommodation in the community. Moreover, those who do need very long-term medical and nursing care need a different environment and a rather different pace and tempo from those staying for shorter periods. Much effort was put into the rehabilitation of the long-stay patient in the 1950s and 60s. Unfortunately, there was in practice rarely any possibility of discharge to the community, and this, combined with the growing demands and interests of acute psychiatry have sadly tended to diminish interest in this field - requiring as it does infinite patience, perseverance and generous staffing. We need to revive the interest in meeting the needs of
long-stay patients in a way which is challenging and satisfying for both staff and patients, and which integrates such care with that of the shorter stay patients, instead of regarding it almost as a separate and, often second-tier service.

Projected and present bed numbers

2.15 It maybe useful to assess the 1961 projections in the light of experience. The number of beds used for patients staying up to 2 years is now close to the projection of 0.9 beds per 1000 population and the number of beds for longer stay patients who have been admitted since 1961 is also close to the projection for that group. The main difference between the projections and what has actually happened is that a substantial number of the long stay patients who were in hospital in 1954, the data base used for the 1961 projections, are still there. In 1971 some 30,000 of the original 110,000 were still in hospital and these numbers are only slowly declining. Almost a half were still less than 65 years old.

Working of the Mental Health Act, 1959

2.16 It is generally accepted that the balance which the Act struck between the liberty of the individual and the needs of patients and of the public for protection has proved to have been well judged. There have been criticisms from opposing directions, on the one hand that it has become too easy for patients to leave hospital and on the other hand that the powers of detention are still too extensive, but such criticisms have been few and in general the Act has been well received. Developments in care and changes in public attitude since 1959 have not been such as to suggest that there is any need for a major reappraisal of the law of the kind that was undertaken by the Royal Commission. We do however need
to look critically at the detailed working of the Act. The Committee on Mentally Abnormal Offenders has been reviewing the provisions relating to offenders and its report is expected shortly. In regard to those parts of the Mental Health Act which are outside the remit of the Butler Committee the Department of Health and Social Security hopes to issue later in the year a consultative document setting out provisional conclusions of the extent to which amendment to the 1959 Act is called for. This document will be available for consultation and comment at or as soon as possible after the publication of the Butler Committee Report and on the basis of these consultations Government will frame its legislative proposals.

General Policy for the future

Validity of the concept of community care

2.17 Before therefore we make substantial new investment in services for the mentally ill, we are bound to ask whether the failures and problems of the last 20 years render invalid the concept of community orientated care and treatment. We believe that the failures and problems are at the margins and that the basic concept remains valid. We believe that the philosophy of integration rather than isolation which has been the underlying theme of development still holds good; and that for the future the main aims must continue to be the development of much more locally based services, and a shift in the balance between hospital and social services care. We believe moreover that there is a very substantial measure of professional support for these objectives. At the same time we must face up to the problems involved and the need to find satisfactory solutions to them.
The dangers and problems involved

2.18 There is the danger firstly that psychiatric units in general hospitals may tend to be too selective about the patients they admit and that this could exacerbate the problems of care for the minority groups, problems already apparent within existing services. It points up the inherent contrast between the concept of providing a wide range of services on a single site, capable of responding to different and changing individual needs for treatment and care, but necessarily, because of this range, taking the form of a large and somewhat remote institution; and the concept of providing a network of smaller but local services acting as an integrated whole. The mental hospitals by virtue of their size have been able to offer a range of facilities on a single site and have some staff always available. The price to be paid is in terms of isolation of staff and patients alike.

2.19 The second danger is that of local isolation. The mere fact that a service is local does not of itself make it a service integrated with the community. Integration is not simply a matter of geographical location. A hostel in the heart of suburbia can be inward-looking and institutionalised if it does not function as part of a wider service, and if it does not have staff with appropriate training.

2.20 Thirdly a strategy for the development of local services and the future of the large mental hospitals must inevitably be a long-term one and obviously has to have regard to the availability of resources. Uncertainty about the future has already hung over these hospitals since the 1962 Hospital Plan. While the need for long-term objectives has to be recognised, this factor of uncertainty emphasises the importance of providing realistic plans for the shorter and medium term which will identify which hospitals are likely to be phased out relatively quickly, which will have a reduced role, and which will have a continuing major role in the longer term.

2.21 Fourthly our planning must take into account the growing weight of expenditure that will be necessary on the part of the local authorities if we are to have any realistic hope of achieving the necessary shift towards the relevant community services.
A Co-ordinated strategy

2.22 The following Chapters set out the Government's broad policy objectives.

The first is an expansion of local authority personal social services to provide residential, domiciliary, day care and social work support. The second is the relocation of the specialist services in local settings. The third is the establishment of the right organisational links: between area social work teams and the social work staff in day centres and residential care, and between the multi-professional therapeutic teams and the primary care services; between the health service and local authority social services administrators and planners; between professional and lay people. The fourth is a significant improvement in staffing to enable individual patient needs to be assessed and reviewed on a multi-professional basis and to provide for earlier intervention and preventive work. A co-ordinated strategy meeting all four objectives should minimise the risks of fragmentation and selectivity. The way and rate at which these objectives, and particularly the first three, are achieved will vary from area to area.

There are no easy solutions.

The Government hopes that this White Paper will both give the necessary impetus to the general development of community orientated services and at the same time provide a basis for further discussion, experiment and research in the problem areas.

Community involvement

2.24 The statutory services, no matter how comprehensively they are planned, cannot by themselves provide a complete answer to the needs of mentally ill people. The general aim of enabling the mentally ill to participate as fully as possible in the life of the community will only be achieved if other members of the community recognise and support it.
Public attitudes

2.2§ Popular fears of mental illness have deep roots and the spread of greater tolerance and understanding can only be a gradual process. There has nevertheless been a steady increase in awareness that mental illnesses are illnesses, that people recover from them and that the process of recovery is influenced by the level of help and understanding shown to the mentally ill by those around them. This development undoubtedly owes much to the way in which the role of the health and social services has itself evolved in recent years, with more and more people returning to ordinary life after a relatively short period of psychiatric treatment. The relationship between the mentally ill and the rest of society cannot however be taken for granted, as something which will sort itself out in the wake of further improvements in statutory services. A humane service for the mentally ill requires the active concern of ordinary people as well as their tolerance. The success of rehabilitation depends in part on relationships with a wide range of private and public agencies—employers, housing and other local authority services and social security and other central government offices. The people who work in such agencies are themselves ordinary members of the public and their capacity for sympathy and understanding is inevitably a reflection of the way in which mental illness is perceived by the community at large.

2.2£ Whether much can usefully be done to influence public attitudes directly is uncertain. There is however a great deal which health and social services authorities can do to encourage people who are actively concerned about the problems of the mentally ill and want to give help themselves. This is discussed further in Chapter 3.

The responsibility to the community

2.27 Those who work in the health and social services fields have to recognise that families and relatives, and indeed the public at large cannot be expected to
tolerate under the name of community care the discharge of chronic patients without adequate arrangements being made for after-care and who perhaps spend their days wandering the streets or become an unbearable burden on the lives of their relatives; hostels which are so selective that they are only half full while people needing residential care are told they are unsuitable; appeals which go unanswered for help in crisis while authorities or professional officers debate boundaries of responsibility. Such situations do not occur very frequently; but where they do, the whole concept of community care is placed at risk. The development of community orientated services depends on a two way responsibility: on the community as a whole to educate itself about mental illness, to extend its sympathy from the minor psychological problem to the more severe illness; and on all those concerned with the care and treatment of the mentally ill not to attempt to implement policies that depend on community tolerance faster than the community can adjust to them. The care that is taken with the relatively few, and more difficult patients, is the guarantee of acceptance for the majority.
CHAPTER 3
TEAM WORK IN THE NEW PATTERN OF SERVICES

3.1 A number of different elements make up the comprehensive network of services envisaged in the new pattern. It is however the building up of teamwork and close relationships between professional staffs and lay groups that turns facilities into a working and comprehensive network of services.

The primary care team

3.2 The general practitioner's role both in treatment and in secondary prevention of psychological disturbance is already expanding. Although a number of agencies may be involved in bringing mental illness to notice - in particular the employment medical advisory service and in the case of young people, the school psychological service - it is to the general practitioner that the sufferer or his family are still likely to come for help. The general practitioner moreover will not always have to rely solely on his own personal knowledge of the family to help him to identify underlying psychological problems of which the patient himself is perhaps unaware. He will increasingly have the pooled knowledge of the members of

The health visitor and home nurse both have special responsibilities, for example for to the elderly, and in the course of their domiciliary visits may detect signs of confusion or self-neglect suggesting the onset of mental illness. The health visitor through her regular links with families with young children is able both to see a child's behaviour at home among the family and hence to give early warning of a possible need for psychological help for the child and also to be alert to signs of emotional disturbance or mental illness in other members of the family.
A social worker attached to a primary health care team is well placed to contribute to the identification of social and psychological problems and the assessment, diagnosis and rehabilitation of the patient; and also to act as a link with the resources the community can offer.

With their combination of professional skills and first hand experience of the individual, the home and the family, the primary care team can do much to ensure early recognition and referral for specialist treatment.

3.4 With the changing pattern of services many more mentally ill people will in future be living in the community, perhaps attending hospital on an out or day patient basis or between spells of in-patient treatment. The primary care team have an important collective contribution to make to the care of such patients, not only by playing an appropriate part in treatment, but by keeping in close touch with patients who are prone to relapse, by helping their families to understand the nature of the illness, and by alerting the specialist services if the patient's condition or the family situation shows signs of deterioration. If they are to fulfil this role it is essential that they have the advice and support of the specialist team.

The specialist therapeutic team

A multi-professional approach

3.5 Multi-professional team work is of the utmost importance; and this has led to the concept of the specialist therapeutic team. A specialist therapeutic team would for example include psychiatrists, nurses, social workers, therapists involved in occupational and recreational activities, and psychologists.

3.6 The consultant psychiatrist normally has responsibility for ensuring that the needs and progress of each patient are regularly reviewed and that other members of the team are involved in these reviews. At the same time each individual member has responsibility in his own particular sphere for assessing progress and bringing to the notice

*see further paragraphs 3.8-3.10 below.
*see further paragraph 3.27 below.
of others in the team any developments which seem to call for a wider multiprofessional review. This is not to say, of course, that every member of the therapeutic team will need to be involved with every patient, or indeed that every patient either needs - or would be willing to accept - a team approach to what he may feel are intensely private problems.

It is however important that staff should recognise the potential value of multiprofessional working and be ready and willing to adopt this approach wherever it is in the patient's best interests. The roles of the individual members of the team, in particular the consultant psychiatrist who has clinical responsibility for treatment are discussed more fully in Chapter 9. These roles often overlap; in some situations personal skills may be more important than professional background.

Relationship with primary care team

3.8 The members of the specialist team need to be readily available for advice and consultation to colleagues in other disciplines who may have patients with psychological problems. Such relationships are of course long established between consultants and general practitioners though here too there is scope for further development as manpower resources permit. The importance of psychiatric advice for patients under the care of consultants in general medical and surgical wards is becoming increasingly recognised. A physical illness may well complicate a psychiatric disorder and vice versa. This is especially so, for example, in elderly patients and alcoholics. Relationships between the disciplines concerned with physical illness and those concerned with mental illness will be strengthened by basing specialist psychiatric services in the local general hospital.

3.9 A parallel relationship to that between the psychiatrist and his medical colleagues is developing between the psychiatric nurse and her colleagues in general hospital and home nursing. The psychiatric nurse is able to provide a direct service of advice to nurses and health visitors working in the community or to nurses in other parts of the general hospital.

3.10 The specialist team should be equally willing to seek the advice of others - particularly primary care staff - in considering the overall needs of individual
patients in their care, especially over arrangements for discharge from hospital.

3.11 Another important function is to promote for other professional staff, for voluntary workers, and perhaps most important, for the families of mentally ill people, formal and informal opportunities, for example discussion groups, for learning about mental illness.

Service to a district

3.12 Although their headquarters may be in a hospital - be it a mental hospital or the psychiatric unit of the general hospital - the specialist therapeutic teams should see their responsibilities in terms of a commitment to the people and services of the 'district' as a whole, and not simply to the hospital. Some members of the team are likely to carry out their work directly in the patient's home. Of particular importance is the development of psychiatric community nursing services. These are of value not only to patients and their families but also to the nurses themselves, in giving those who have hitherto worked only in a hospital setting new insights into the implications of mental illness in the home.

3.13 A vital function for the therapeutic team is the provision of a 24 hour emergency service which can be provided in the patient's home when necessary. This crisis service should be planned in consultation with the primary care services and is essential if families in particular and the community in general are to be able to cope with a higher proportion of the mentally ill being cared for outside hospital. Where such a 'crisis intervention' service is available it can often help to avoid admission to hospital.

3.14 On the basis of the staffing guidelines set out in Chapter 9 each health district is likely in due course to have at least 4 consultant psychiatrists sharing responsibility for the district service. Whether the district should be subdivided so that each consultant led team has ultimate responsibility for a particular geographical section, is something which should be determined locally in the light of the views of the professional staff concerned. If this approach to the organisation of the district service is adopted it should always be sufficiently flexible to allow patients and general practitioners a choice of consultant.
Social work staff

3.15 The staff of the personal social services are of fundamental importance in the new pattern. Their contribution includes work with individuals, families and groups, and residential, day care and supportive domiciliary services. The underlying objective in this respect is to help people and their families to cope with the emotional, social and environmental problems, and any residual disabilities, which may accompany mental illness or its aftermath.

The role of the social worker

3.16 Successful rehabilitation entails the deployment of a whole range of services of which the health and personal social services are only a part; housing, employment and education, and the voluntary services, can be particularly important. It is the concern of the social services department to see that all services are mobilised in helping the mentally ill and in supporting their families. The relationship between the social services and the other agencies concerned is thus of crucial importance; in some instances social services staff may need to undertake a liaison function in explaining the needs of mentally ill people and the nature of the help they need from the other services.

3.17 The unifying element in these activities is the professional skill of the social worker, whether deployed in fieldwork, in primary care in residential or day care, or in hospital. The importance of these skills in the care of the mentally ill calls for some general account here of the role and responsibilities of social workers in this respect. It is the profession itself which has the main concern with assessing and developing its own role, and there is no intention of trespassing on this responsibility, but a brief statement of general principles may be of help to members of the other professions whose work brings them into close contact with social workers, and also to the wider public.
3.18 A major aim of social work in relation to those who are or have been mentally ill is to take into account all the surrounding social factors and to assess, in combination with other professionals as appropriate, whether a continuation, rearrangement or exclusion of some of these, or perhaps an introduction of new social factors, could enable a client to cope more easily with the stress of mental illness.

3.19 This entails getting to know him as an individual, trying to maintain a consistent relationship with him, and through this relationship, perhaps modifying some of his disabilities; having a working knowledge of the symptoms, treatment, course and prognosis of his illness; being aware of his particular family relationships and offering psychological and practical support to the members of his family; knowing about the various ways in which relatives are affected by the illness; discussing the situation as fully as possible with the client, his family and others who are involved in treating and helping him; and assessing whether or not it is realistic for him to live at home. If living at home is thought to be a suitable plan then the social worker has an important part in assessing under what conditions this would be possible both for the client and his family.

3.20 The social worker needs to be familiar with the whole range of support services whether these emanate directly from the primary care team, the specialist therapeutic team, the local authority social services department, or voluntary organisations, or indirectly from other services such as housing, social security, education, and employment. The social worker must not only know what is available but must apply professional skill in considering what is likely to be best for the individual client. Social work should always include him as a partner from the outset.

He may well refuse to cooperate in certain important respects and, if this is so, the particular task of the social worker is to build up a relationship over a period of time which may enable him to become more willing to accept help.

3.21 One of the skills of the social worker is to recognise the likelihood of the presence of mental illness even where symptoms appear in the form of social problems and where the client has not been in touch with medical services, and to give the most appropriate help to these clients as well as to those who have been diagnosed as mentally ill. Such help may take a variety of forms - offering a friendly contact, giving practical advice, the development of an individual relationship, participation in family therapy, group work or community work.

The social worker has to take into account all the limiting factors eg scarce
resources, lack of co-operation, and continuing mental illness. He has to recognize that the commitment to the client may be long term and may include working with him in hospital, and in the community, sometimes alone and sometimes with other professionals. Moreover, without suppressing the client's independence the social worker has to maintain or establish varying levels of contact with key people in the client's environment. This skill is acquired with training and practical experience; though supervision and consultation are essential in order to keep abreast of new developments and to adapt to varying professional demands. For example in a specialist therapeutic team the social worker will be working as a member of the team and contributing to the whole treatment plan from the beginning; whereas the social worker in a social work area team may well be working alone with mentally ill people who have never been formally identified as such and who are unable to accept any contact with medical services.

Organisation of social work

3.22 The internal organisation of social work services, and their relationships with the health services, are at present in a state of transition. Much attention is being given to these questions following the transfer on 1 April 1974 of hospital social workers to local authority employment, and the report of the Working Party on Social Work Support for the Health Service*. Many of the issues involved can only be resolved by the field authorities themselves and the members of the social work and other professions. The Government's concern here is to draw attention to the special needs in relation to the care of the mentally ill which require to be taken into account in the future development of services.

3.23 Following the Local Authority Social Services Act 1970 personal social services for the mentally ill, as for other clients, became the responsibility of the new local authority social services departments. This development was the subject of some criticism, and concern was expressed about what was seen as the loss of an established service with specialist skills in dealing with the problems of the mentally ill. There are, however, many positive advantages for mentally ill people in this integrated pattern of services. Many of the social needs of the mentally ill are of a general kind not arising specifically from their illness. An integrated service places at their disposal the full range of resources that the local authority and locally based voluntary services can offer. It also makes it possible for help to be part of a comprehensive pattern of social care taking into account every aspect of a mentally ill person's social circumstances; for example, the repercussions of the illness on children, or

* HMSO 1974
the effect of the presence in the family of another handicapped or elderly person. An individual's or a family's social problems may come to notice before an associated mental illness is recognised, and the social services department's concern with a broad range of social problems may be the means of identifying mentally ill people who are not known to the medical services. An additional advantage is that the mentally ill can have access to the local authority social service resources without having a specific label attached to them.

3.24 Nevertheless it would be foolish to pretend that unification of the social services has not brought many problems in its wake.

One of the aims of unification of social services was to ensure that authorities in deploying their services would take into account a wider range of priorities. But in a developing social service which is still not equal to all the other demands being made on it, there is a real danger that groups such as the mentally ill will be given a low priority compared with other groups whose needs are more overt, as well as being better understood.

3.25 There is indeed an increasing recognition that following the implementation of the 1970 Act, there has in some instances been too much dispersion of specialist skills, and that a nucleus of staff is needed with special expertise in fields such as mental illness, who can act both as a source of advice for other social workers and as a link with other specialist disciplines. If raises general questions about training which are touched on further in Chapter 9.

3.26 This should not involve any separation of social work with the mentally ill from other social work. Mental illness may or may not be a factor in a whole range of social problems, and its presence or absence is often uncertain. In these circumstances work with the mentally ill is bound to remain an integral part of most social workers' caseloads. But the presence within social services departments of staff who possess special expertise, and their ready availability to advise their colleagues, should lead to greater awareness in the social services generally of the needs of the mentally ill, and ensure that help is not given only when crisis point has been reached.
3.27 The best way of providing this special expertise will vary but there is clearly an important role for the social workers who are members of the specialist therapeutic teams. From this point of view the social worker based in the hospital can give valuable help to his colleagues in the community. Conversely, hospital-based social workers can only provide an effective contribution to the work of the therapeutic teams if they are able to call on the full resources of the social services department and of other agencies outside the hospital.

Social work support for the health service

3.28 Although the details of the relationship between specialist therapeutic teams and area social work teams will vary, the report of the Working Party on Social Work Support for the Health Service makes a strong recommendation that hospital-based social workers should come fully within the organisation of the social services department. Depending on the number of social workers in a particular hospital, they might either work together as a separate social work team or be linked into the social work area office structure. The boundaries of health districts do not always correspond with those of social services areas and it may or may not be practicable to arrange that a particular social worker in the therapeutic team deals with patients from a particular social services area. The Working Party has emphasised the importance of continuity of care and of avoiding rigid barriers which prevent either community-based social workers from seeing clients in hospital, or those based in hospital from seeing them outside.

3.29 Similar considerations apply to the relationship between social workers in the area teams and those attached to primary care teams.
Volunteers

3.30. As well as giving practical individual benefit, voluntary help has a particular value as a spontaneous expression of the community's concern with the well-being of those of its citizens suffering from mental illness, and voluntary activity can itself be the means of awakening and spreading concern of this kind.

3.31. Help from volunteers is more effective if it is efficiently and sympathetically organised, and organisers of voluntary services have been appointed in a number of hospitals and by many local social services authorities. The Government hopes that this practice will spread. As well as ensuring that the volunteers are efficiently deployed, it is important that recognition and understanding is given to their motivation for helping. Volunteers wish to demonstrate their interest in and concern for the mentally ill, and will appreciate being able to learn more about the problem than is possible from contact with one or only a few patients. All will wish to be satisfied that they are making a personal contribution that is of real value, and it is important that care is taken to ensure that the help they are asked to give is such as will bring its own rewards. This will mean assessing the potential of each volunteer and looking at the job from his point of view.

3.32 It is important to recognise that volunteers are not professionally trained. They should not be seen as a means of filling gaps and deficiencies in the statutory services, but as having a distinct and complementary contribution in giving the friendship, support and help that comes from a genuine personal concern. Their lack of training may mean that they will be distressed by some of the experiences they encounter, and for this reason they may need support in themselves, perhaps the form of opportunities to discuss their experiences with other volunteers and with the benefit of advice and comment from one of the professional staff. They must be shown how to identify situations which require professional skills to handle, they must know how to summon help, and such help must be at hand.

Voluntary organisations

3.33 Voluntary organisations have been the pioneers of many new developments in relation to the mentally ill.
They draw their strength from their independence of statutory authority and it is important not to take away the initiative of the voluntary movement and with it the enthusiasm and the freedom of action on which it relies.
Statutory authorities, whether at central or local level, have many competing priorities to consider and it is important that the users of particular services, particularly those unable adequately to make their own case, should have their needs properly represented and understood. Organisations which combine access to expert knowledge with an independent stance have a unique part to play here.

Voluntary help in hospitals

Volunteers are a bridge between the hospital and the community outside, and one that is much needed particularly where hospitals are large and isolated. The greatest contribution they can make is perhaps to make individual patients feel they have a friend who has a real concern for them and is willing and able to give constructive help. They can also act as a catalyst in encouraging patients to participate in social activities, such as dances, discussion groups, clubs, film shows, drama groups and games. With the help of hospital staff they can make arrangements for excursions, visits or holidays outside the hospital for individuals or groups of patients. These activities have much importance as a means of encouraging patients to develop and extend their own individual interests in the world outside. Patients will, of course, gain a great deal by being involved themselves in the organisation and selection of activities.

Volunteers can help patients maintain contact with their own families and friends outside the hospital, for example, by providing transport for visitors and helping to arrange baby sitters. Some patients, particularly the elderly, may need help in reading and writing letters.
Voluntary help in the community

3.7 Mentally ill people living outside hospital have the same needs for friendship and social activity.

The dangers of social isolation should not, it is true, be as great in a home or hostel whose residents mostly go out during the day, as they are in a large and remote hospital. But many residents will themselves have spent a long time in hospital and their difficulties in establishing or re-establishing social ties may be considerable. A home or hostel, particularly one that has just opened may not have an established network of contact with the outside world, and a positive effort is needed to ensure that the home does not become inward-looking.

This applies particularly to long-stay homes in which the dangers of an institutional atmosphere are perhaps greatest. Volunteers can help by befriending residents and encouraging social activities and social contacts generally. Day centres are another focal point for help of this kind. A close relationship is needed between volunteers and day and residential care staff and the planning and organisation of these services should take the voluntary contribution into account.

3.37 Voluntary organisations at present provide some 27% of the residential homes and hostels and 14% of the day centre places for the mentally ill. The proportion may fall as the expansion of local authority services envisaged takes place. But the voluntary organisations will always be needed. In particular their role in pioneering services for special groups like alcoholics or drug addicts, and in providing shelter, support and rehabilitation for homeless single people without a settled way of life is still growing and with the formidable difficulties local authorities face at present in finding resources for key services may well need to grow still further though in a new partnership with the statutory authorities.

3.38 Group homes (see paragraph 4.44) are a form of direct help which many local voluntary organisations have developed with success. As well as finding and acquiring suitable housing, there is a great deal which volunteers can do to help with the practical problems. The bridge which volunteers represent between residents and the rest of the community is particularly needed in group homes where residents live without the support of permanent residential staff. Setting up these homes calls for very close co-operation between voluntary organisations and health and social services authorities. Assessing whether a particular group will be compatible and will be able to manage on
their own calls for skilled professional judgment. Moreover, the help which
volunteers give in running a home needs to be supplemented by various forms
of social services support.

3.34 People who are or have been mentally ill are of course living in a
variety of other settings, for example, in their own flats, in family housing
or in private lodgings. The danger of loneliness and isolation is likely to
be greatest among people living on their own. Someone who is prepared
to visit regularly and take a friendly interest can make a very great
difference to the quality of their lives.

Financial support

3.40 As well as involving voluntary organisations in the planning of their
services, local and health authorities have direct support both financially
and by making facilities available

and the Government hopes that this means of encouraging voluntary effort will be used as fully as resources permit. Of
course, the developing services for which authorities are directly responsible
represent a heavy financial commitment, but a healthy level of voluntary activity
is itself an important factor in the effectiveness of statutory services. The
Government, for its part, will continue to give financial support to voluntary
activity which has general relevance to the needs of the mentally ill.

Family Care

3.9 It is important to remember that in practice those in the community most
involved in the care of the mentally ill are usually their families. The
implications of mental illness for the family, particularly when it is
prolonged, are far-reaching. The responsibility of looking after a mentally
ill relative may be very great and a family which, for example, is caring
for a relative who has a long-term schizophrenic illness inevitably finds the
whole pattern of its life drastically altered. Relatives of this important
group of mentally ill people have now formed their own organisation which is
seeking to identify the particular difficulties experienced and ways of helping
the families to manage, and to bring these to the notice of statutory
authorities. This development is very much welcomed by the Government. A
great deal can be learnt from the experiences of families about ways in which
services can be made more responsive to individual needs, and their voice
needs to be listened to when policies and priorities are being determined.
CHAPTER 4
THE DISTRICT SERVICE

4.1 This chapter describes the various units that together make up the local district network envisaged in the new pattern of services. For the sake of clarity they have to be described separately; but it is fundamental that they should be seen as inter-dependent and as together constituting an integrated whole.

Health Services

The general hospital psychiatric unit

4.2 The psychiatric unit at the district general hospital is intended as the centre of specialist psychiatric treatment of mental illness for all adults, including the elderly, from its health district. Patients who need to be compulsorily detained under the provisions of the Mental Health Act should also be treated in the unit unless their clinical condition makes this clearly inappropriate. Experience suggests that most forms of difficult and disturbed behaviour can be contained by a high level of staff observation and supervision, combined with the use of locked rooms, on occasion and for limited periods, for nursing the most acutely ill. The general hospital psychiatric unit is expected to be able to deal with nearly all the small number of disturbed patients on this basis. Only when a patient is recurrently so difficult or dangerous that his treatment requires special security measures continuously and for a period of weeks rather than days should his care be regarded as beyond the resources of a local unit. The special provision required for such patients is considered in Chapter 5. Separate facilities are also required for some elderly patients who after assessment are found to be in need of longer stay hospital accommodation. These are described in paragraphs 4.12 - 4.16 below.

4.3 The general hospital psychiatric unit is envisaged, not simply as an in-patient department, but as a centre providing facilities for treatment on both a day and in-patient basis, and as the base from which the specialist therapeutic teams provide advice and consultation outside the hospital.

The unit has two main functional components: the wards, or rather residential units, and the day hospital or day activity area.

Only a very small proportion of inpatients will need to remain on the wards during the day. The great majority will be up and about and will be able to leave the ward to spend the day on a planned programme in the day hospital, returning to the residential unit at night, thus having the stimulation of a changing environment and a
pattern of living which more closely resembles normal everyday life.

4.4 The great majority of in-patients will be discharged in a matter of a few weeks: the wards on which they sleep will normally have not more than 30 beds, sub-divided into single bedrooms and bedrooms with 4 or 5 beds which in their layout and design will aim to provide a friendly non-clinical atmosphere. Some patients may stay in hospital on a 5-day week basis, going home for the weekend. However, even with the most thoughtful design, a hospital ward has limitations as a home for patients requiring longer-term care. Those patients therefore who need specialist medical and nursing supervision for longer periods should so far as possible be treated as day patients while living either at home or in a hostel nearby. The need for long stay inpatient facilities is considered in paragraphs 4.52-54 below.

Day hospital

4.5 The day activity area is the hub of the unit. Rather than half the day hospital places would be used by the in-patients, the other places being filled by patients coming to the hospital on a day basis. It should have facilities for treatment, including an ECT suite, together with consulting rooms and offices for the various professional staff and separate rooms for group and individual therapy. It should also provide a wide range of occupational and rehabilitation activities. The Design Guidance published by the Department of Health and Social Security allows space for 8 different occupational areas, which might for example be used for educational, clerical and industrial work, dressmaking, art and music, as well as a kitchen in which domestic skills can be relearnt. The unit should have its own dining room and facilities for leisure activities in the evening and at weekends.

4.6 Where the district general hospital serves a large geographical area it may be appropriate to provide an additional separate day hospital where it can meet the needs of the outlying community. A peripheral day hospital might be provided in association with a community hospital. The guideline for day places in a separate day hospital (with no inpatients attending) is about 0.3 places per 1000 population.

4.7 Some out-patients may attend the unit for specific treatments, but as a rule out-patient facilities should be provided either at the hospital’s general out-patient department, or at community hospitals or in health centres. The latter offer a particularly valuable opportunity for providing specialist services nearer to the patient’s home and enabling the psychiatrist and other relevant members of the specialist therapeutic team to consider individual cases in conjunction with the general practitioner and other members of the primary care team. The latter will in turn have the stimulation and interest of involvement with a specialist therapeutic team and of being able to maintain a closer interest in their patients’ progress.
Guidelines for beds and day places

4.5 The scale of provision suggested for psychiatric units in general hospitals is a minimum of 0.5 beds and 0.65 day hospital places per 1,000 total population. The ratios are of course in terms of the new pattern of care envisaged, in which this particular element is only one part of the whole network of provision. Experience so far has been limited to facilities operating in isolation, and not as a comprehensive service, and uncertainty must attach to the effect the provision of local integrated services will have on the pattern of demand for psychiatric treatment and care. On the one hand there is little doubt that local facilities once established attract more patients. Moreover psychiatric units in general hospitals receive many referrals from the medical and surgical departments of the hospital. On the other hand if patients come to seek treatment earlier and if higher levels of staffing make it possible to provide a better service, it may be that some more serious episodes will be prevented.

The ratios are necessarily no more than a considered assessment of the requirement. They may well need to be modified as the pattern of local facilities develops and new trends become more clearly established. Such evidence as is available so far would suggest that the day place ratio in particular may need to be raised.

Facilities for the elderly

4.6 Mental illness in old people is often too easily regarded as untreatable, but experience has shown that early intervention can be particularly effective. Assessment

4.7 The physical uprooting of an old person is in itself a traumatic experience and may intensify existing anxieties or create new ones; assessment of mentally disturbed elderly people should, wherever possible, take place at home or in out-patient clinics. However, admission to hospital is necessary for some; and the value of an early brief admission for assessment purposes only should not be underestimated. Indeed at present the elderly form 20-25% of all admissions to psychiatric hospitals and the age specific admission rate for the elderly age group is higher than for any other. In the new pattern of service admission would in most cases be in the first instance to the general hospital psychiatric unit. In some districts a psychiatrist with a special responsibility for the elderly has been appointed and there may be advantages in this arrangement, particularly in facilitating links with geriatric physicians, primary care teams and social services departments.
4.11 Many elderly patients have both physical and mental symptoms and joint assessment by a psychiatrist and a geriatric physician is desirable. Where a general hospital psychiatric unit is in being, closely related to the geriatric department, this joint assessment can take place in either department; but where a general hospital psychiatric unit has yet to be established, facilities should generally be provided in a joint assessment unit in the geriatric department at the general hospital. Although in such cases clinical responsibility for the assessment unit as a whole would normally fall to the geriatric physician, the psychiatrist will need to be involved in admission arrangements and assessment should be a
joint responsibility. Patients would not normally remain in the assessment unit for more than about 4 weeks, patients needing further treatment being transferred to the geriatric or psychiatric wards as appropriate. The size of such units will vary according to the local admission and treatment policy. A unit of 10-20 beds should serve for a population of about 250,000, and in some districts it has been found sufficient not to set up a special unit but simply to designate a few beds in the geriatric department of the general hospital for joint use by the geriatrician and psychiatrist. As geriatric and psychiatric departments become provided in general hospitals in close proximity to each other the need for special joint assessment beds is likely to diminish.

4.12. The extent to which in a general hospital psychiatric unit elderly patients should be treated separately or with patients of other ages will depend on individual requirements and is best left for local decision.

Facilities for the Elderly Severely Mentally Infirn

4.13. A proportion of elderly people will, after assessment be found to need continuing hospital care. The vast majority of these patients will in practice be those suffering from dementia, and their continuing care will not entail the wide range of diagnostic and treatment facilities of the general hospital. Their need is rather for nursing supervision by group observation, with individual nursing attention as occasion arises throughout the 24 hour period. Although most such patients who have no significant physical illness or disease are at present cared for in mental hospitals, small long stay units are now being developed in local hospitals where numbers can be kept manageable and where the interest of friends and relations and local communities can be more easily maintained. The general hospital may serve this function for the people living in its immediate vicinity.

4.14. Bed provision, which it is anticipated will increasingly be made in community hospitals as these are developed, is thought to be needed on the scale of 2.5-3.0 beds per 1,000 population aged 65 and over; this is equivalent to the number of beds at present occupied by patients suffering from dementia in mental hospitals and is thought to represent the requirement for persons needing hospital care for this condition at any one time.
4.15. Responsibility for admission would rest with the psychiatrist to whom the patients will have been referred for assessment and who will in some cases be a psychiatrist with a special interest in the psychiatry of old age. Day to day medical care may be given by local general practitioners working at the community hospital. Admission, treatment, and discharge policies will be established between the psychiatrist and the medical staff of the community hospital in the light of policies adopted for services in the district; there will also need to be close links with other consultants on the physical needs of the patients. There will normally also be a geriatric longer-stay unit sited at the community hospital which will include among its patients those suffering from dementia who have in addition some significant physical disease or illness. Here also there is a call for close co-operation between the geriatric physician and the psychiatrist.

4.16. Longstay accommodation for the elderly severely mentally infirm could be sited close to the longer stay geriatric wards and should, wherever possible be on the ground floor. There should be a day hospital adjoining the wards for the elderly severely mentally infirm with capacity for 2.0 - 3.0 day places per 1,000 population aged 65 and over. The day hospital will serve both the in-patients, many of whom are likely to benefit from a fairly active day, and patients from the local community who are able to return home at night. Detailed guidance on the design of long-stay accommodation and day hospitals for such patients is under consideration by the Department of Health and Social Security.

4.17. The nursing staff caring for the elderly severely mentally infirm may need to include both psychiatric and general nurses. With the passage of time, some patients are likely to develop physical illness which, while not always necessitating transfer to the geriatric unit, will often require general as well as psychiatric nursing care. Nursing requirements are particularly demanding and it is essential that some staff should have had both psychiatric and geriatric training. The remedial professions too have a considerable contribution to make to the care of patients suffering from severe mental infirmity. Physiotherapy is essential to prevent or ameliorate physical deterioration. Patients' lives should be made as interesting, enjoyable and active as possible and a wide range of occupational therapy and social activities is needed. Handicrafts, social functions, musical entertainments, bingo and simple games such as skittles have all been tried successfully. There is much scope for unqualified helpers. Services for the elderly severely mentally infirm sited at community hospitals will provide
more scope for local voluntary help and for collaboration with the primary care teams - general practitioners, health visitors, home nurses and social workers - and for the involvement of patients' families and friends. Relief can be given to families caring for an elderly relative both by making day hospital care available and by occasional spells of admission to provide holiday or emergency relief.

Social Services facilities

4.18 Critics of recent trends in care have seen the present serious deficiency in the number of homes, hostels and day centres for the mentally ill as a major barrier to achieving a transfer to community care, and substantial expansion of these services is an essential element in the Government's strategy. General policy

4.19 There are two distinct but related needs - for social care and for rehabilitation. The length of time for which social care is needed varies greatly. For some it is no more than a relatively short period perhaps for acclimatisation on leaving hospital, for recovery from a domestic crisis, or for a temporary relief of family stress. Others may however need shelter for a very much longer time, in some cases throughout their lives.

4.20 It is easy to underestimate both the time and the amount of help which may be needed to recover from a mental illness. If the help given is insufficient or inappropriate the whole endeavour of treatment and rehabilitation may fail. It is very important that needs should be individually assessed and that day care and residential care should be geared to meeting individual requirements. It is important to recognise that these needs differ in nature as well as extent. Some people may be fairly self sufficient in one respect but need a great deal of help in another; for example someone may be able to hold down a job but may not be able temperamentally to manage life on his own. If he has no viable family ties, some form of sheltered accommodation is essential. The aim always should be to respond to individual needs rather than to pursue generalised goals which for many of the mentally ill have little relevance.

4.21 This implies a range of services that is both varied and flexible. Various forms of residential accommodation are needed to cater for different degrees of dependency and for different lengths of stay. Day centres need a variety of facilities which, within a single establishment, can be used flexibly to give
Effective help to each individual. Residential and day care services should be conceived not as a self-contained system but as part of a broad range of options - extending beyond the health and personal social services - for helping the mentally ill. This range of options should include ordinary housing as well as residential care; and open and sheltered employment as well as day care.

Every possible opportunity should be taken to develop links between homes and day centres and the general life of the community. This aim may be defeated if homes and day centres are provided on the same site; the resulting complex is liable to be seen as, and indeed to become, a self-contained institution separate from the outside world. At the same time, reasonable ease of travelling between the places where people live and those where they go in the day-time is clearly important.

The development of residential, day care, and social work support services must be co-ordinated. From the patient's point of view, discharge from hospital to a community which lacks the hospital's facilities for day time shelter and occupation may well be a change for the worse.

Estimates of need

The precise extent of the expansion of residential and day care services that is needed is not yet certain. It has been the subject of a number of research studies and in the light of these studies, guideline targets for health and social security, provision were published in a circular issued in 1972 by the Department of Health and Social Security. These guidelines are regarded as provisional targets and are reproduced below. More experience and research are still required in this field and the Government wishes to emphasise their tentative and general character.

The level of local need can only be fully determined in the context of the individual locality. Health and social services authorities should pool their knowledge so that as full a local assessment as possible can be formed. This should take account not only of the known numbers of mentally ill people but also of factors which are known to be associated with a high incidence of mental illness as poor environmental conditions and high suicide and attempted suicide rates.

Detailed guidance on the design of homes, hostels and day centres for the mentally ill is being prepared by the Department of Health and Social Security.
Day Care

4.25 Day care services involve a wide assortment of activities with varied goals for different individuals, and maintaining the necessary sense of purpose and direction calls for skill in management and planning. Day care services are at present perhaps the least developed of all mental health services. There is a need for pioneering work, and it is important that new experience is shared as widely as possible.

4.26 It is not easy to draw an exact line between the functions of day centres and those of day hospitals; and there is moreover an area of overlap between the role of day care and that of sheltered employment. The planning of these three services in relation to each other thus requires particular care. Day centres, like day hospitals, have a broadly therapeutic role, but their orientation is social - unlike that of the day hospital where the activity and therapy form part of a treatment programme under medical supervision. On the other hand the therapeutic accent, and the mixture of social and work directed activities, distinguish day centres from sheltered employment services - even though rehabilitation for employment is an important part of a day centre's function. Health, housing, education and employment services all have a contribution to make, as do the voluntary organisations which indeed may well provide a substantial part of the services.

4.27 Some local authorities have been successful with mixed services in which mentally ill people share facilities with one or more of the other groups, but there is not enough experience yet to show whether this is a satisfactory long term arrangement. There is room for further experiments with such an approach provided sufficient flexibility is retained (eg in the design of centres) to permit the introduction of a degree of separation between different groups if experience proves it necessary.

Aims of day care

4.28 On one level the goal of day care is to meet clients' immediate needs for shelter, occupation,
and social activity. In so doing the centre may also serve to relieve the strain on the client's family of looking after him during the day, or conversely to give the client himself a few hours away from the family. In some cases this may be what makes it possible for the client to continue living at home.

While for some the help which the centre gives will be needed for a long time, for others it could be a relatively short stepping stone towards eventual independence. This is not to imply the existence of clearly differentiated groups. Only a tentative judgement may initially be possible about an individual's capacity for progress and the length of time for which he will need support. A more definite opinion can only be formed over time on the basis of regular reassessment. In any case, people can be given an increasing degree of self-reliance even though they need a measure of long-term support, and the difference in individual goals is more one of degree than of kind. In the overriding aim of improving the quality of life, the long-term support which some people need is just as important as the help given to others to achieve complete independence.

4. Of the main elements involved in day care, the first is help with difficulties informal or maintaining personal relationships. A second involves help with problems of adjusting or re-adjusting to the demands of work. A third consists of encouraging the realisation of the individual's potential capacity for a general fuller and more rewarding contribution to the life and work of the community, and for a deeper enjoyment of his own life. It is important that no one element, for example work processes, should be allowed to dominate the whole programme. Cultural and educational activities - for example the study of art, music, drama or literature - have a valuable part to play. Some may need to learn about cooking or housekeeping.

The general pattern of work activities will need to reflect the social profile of the district, but it is important to include white-collar and such office work as typing, duplicating and printing as well as work of a more industrial character.

Organisation of day centres

4. More important than the exact mix of activities is the way they are planned and organised. Those attending the centre should be encouraged to take part in this process; their involvement in shaping the programme should not only help
to make it more relevant but should also be a means of developing self confidence and self reliance. In keeping with this aim, the centre should not be allowed to become a closed community which seeks to meet all its users' needs; rather it should be seen as a focal point from which they may move out to use general public services. Libraries and the adult education services are examples.

4.34 The key to effective use lies in individual assessment. This involves looking at each individual's present level of functioning and drawing up a programme of activities needed to help him reach better adjustment. Such an assessment will only be valid if the staff of the day centre bring into consultation those who have the relevant professional knowledge about the client himself.

Assessment is a continuing process and the programme of activities should be reviewed periodically in the light of the client's performance and changing needs. The programme should, of course, take as much account as possible of his own expressed wishes. Consideration will need to be given to what is to happen when he stops attending the day centre; and arrangements will need to be made to ensure that those who can move into paid work are encouraged to do so and identified at the most appropriate stage for assistance through the assessment, rehabilitation, training and resettlement facilities of the Employment Service Agency and Training Services Agency. The Disablement Resettlement Officer will have a significant role to play at this stage.

4.31 Day centres call for staff having their own considerable range of skills, supplemented by advice from other social services staff and from, for example, psychiatrists, psychologists, nurses and teachers as necessary.

Day Centre Planning Guideline

4.33 The guideline planning figure for day centre places for the mentally ill is a ratio of some 0.6 places to 1,000 population.

Location of day centres

4.34 The main consideration in deciding the location of day centres is probably the need for an accessible service. Good public transport
facilities are important, and where these are inadequate the social services department may need to make some transport arrangements of its own. The question of siting is obviously related to that of size, since a heavy concentration of day places in a single centre will make it less accessible for those who live further away. Equally though, it is undesirable for day centres to be too small; with fewer than say 40 places it will be very difficult to provide a full range of services. Exceptionally in densely populated areas, a centre might have as many as 150 places.

Social Clubs

Social clubs are a valuable supplement to day care, particularly for people who are busy during the day but lack opportunities for social activity and friendship. Running and organising such clubs may be a particularly suitable activity for voluntary organisations, especially where local authorities are ready to help with finance and general guidance. Some people who have been mentally ill may benefit from the opportunity to help others by themselves participating in the running of a club. Mutual support of this kind may be of particular value for groups such as agoraphobics where contact can be made by correspondence or telephone between phobics who find it difficult to make their way to facilities at a distance from their home.

Residential Care

Residential services have to meet a variety of needs. But whereas a day centre can be relatively large and so can encompass many different activities under one roof, homes and hostels have to be reasonably small if an institutional atmosphere is to be avoided. In order to provide effectively for a range of individual needs, homes and hostels will need to offer a number of alternative patterns of living.

The Department of Health and Social Security's planning guidelines for hostels and homes have differentiated between short-term and long-term needs. There is a risk that such distinctions may be too rigidly applied. In particular it is unrealistic to make decisions about the duration of stay required when someone first enters the home or hostel, and the choice for an individual client of a particular type of accommodation should not be determined solely by this. The deciding factor should be the extent to which the alternatives available meet the individual's needs at the time and his own preferences.

The broad choice should be between hostels providing a relatively intensive programme of rehabilitation; staffed homes; small group homes and lodging schemes. For some mentally ill people the underlying problem
will be one simply of housing. Close co-operation is needed between social services and housing authorities to ensure that such problems are recognised and tackled in the most appropriate way. This is discussed further in Chapter 6.

One of the aims of residential care is to help people to achieve a reasonably stable pattern of life and to develop the capacity to cope with the various pressures of daily living. At the same time it must be recognised that some may never be able to face these pressures alone, and will require a degree of more permanent support.

Whether or not people ultimately become able to face life quite independently, they can all be helped in some degree to manage their own lives.

To achieve this homes and hostels must be outward looking. Residents should, as a general rule, be encouraged to spend the day time elsewhere, in sheltered employment, in an ordinary job, or attending a day centre or day hospital. Siting and design can also much to help. It is important that homes and hostels should be located in residential areas where they fit in naturally and unobtrusively with other housing. Some kinds of accommodation can, for example, be conveniently planned as part of local authority housing development. It is also important that facilities should be shared by both sexes. The quality of life can gain much from this, and segregation serves no useful purpose.

Hostels

4.40 Present thinking suggests that hostels for short term care and rehabilitation will, numerically, be a relatively small element in a comprehensive service. They are nevertheless a very important element. The suggested guideline level of provision is 8-10 places per 200,000 population in an area of "average need" and 10-12 places in an area of high need. The function of hostels is closely linked with that of the specialist psychiatric services. Their basic purpose is to provide intensive care and rehabilitation on a relatively short term basis.

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This may represent a period of acclimatization during which someone who has left hospital can gradually get used to the pressures of life outside, or sometimes the hostel may provide a temporary
but much needed retreat from these same pressures for a person who is not so severely ill as to require admission to hospital. There should thus be no set pattern which all residents have to follow; the approach to rehabilitation can only be decided in the light of each individual's needs and problems. This is a highly skilled judgment and it is important that the staff of the hostels should be carefully selected and that support should be readily available from their colleagues in the social services and health professions.

Participation by residents in the running of the hostel is often a valuable part of rehabilitation. The element of freedom of choice is important, and should be reflected in the design and organisation of hostels. Residents should have their own rooms and be able to get reasonable privacy when they want it. 10 or at the most 15 is probably the maximum number of residents which is compatible with an environment of this kind.

Staffed homes

Staffed homes are a form of accommodation offering continuing support, and in which, while rehabilitation remains an important element, the emphasis is on providing a home. Many of the people needing this form of help are those who have spent a long time in hospital and who, although they have left behind the acute stage of their illness, have lost their roots in the community and would find it difficult to form new ones. Another group are those who have depended for their support on relatives who have now grown old or have died. A home in which people are likely to stay for a long time must be designed to fit into and form part of the wider community, and the total number of residents should not be more than about 25. A domestic and informal atmosphere is important. The design should allow for the formation of small groups within the home, but with sufficient flexibility to allow for individual choice.
There are various forms of unstaffed accommodation which can be used to meet both long term and short term needs for shelter, but without the same degree of support as in staffed homes. There is scope here for experiment with new solutions, depending on what the locality has to offer. Unstaffed accommodation may in some instances be planned in conjunction with staffed homes; for example a number of bed-sitters may be provided in the same locality as the staffed home, where people can live independently but with access when they need it to help from the staff of the home.

As an approach which has been tried with some success is the group home. These homes have been shown to be suitable for people who can manage more independently but who - perhaps because their own family ties have been lost - need the mutual support of living together in a small compatible group. Ordinary flats or houses are suitable for this purpose. The success of a group home depends largely on the selection of a compatible group of people. To enable the domestic side to run smoothly it will usually be necessary to arrange at the outset for one of the residents to act as housekeeper and this means selecting as a resident someone who has both the aptitude and inclination for this role. Social work support is essential, particularly during the early weeks or months when the members of the group are settling down to life together and need advice on financial, catering and other domestic matters. It is a considerable help for the social services department to underwrite the rent so that, for example, the departure of one of the residents does not leave the group in an impossible financial situation until the vacant place is filled.

Group homes are a relatively economical and straightforward form of accommodation, and represent a tangible form of help which can often be given by voluntary organisations. It is important to realise, however, that group homes are not by themselves a sufficient alternative to hospital care, and they should not be established without arranging adequate opportunities for employment or day care for those residents who need it.

Supervised Lodgings

Supervised lodging schemes, which a few local authorities have developed quite extensively, are a rather different form of long term support. There are two
main patterns - the lodger may either live more or less independently in a sub-let room, or as part of a family. In either situation the landlady represents the first line of support, and the choice of lodgers, require a good deal of care. Social work support and advice should be available to the landlady no less than to her lodger. There may be scope for extending this arrangement to families where there is a mentally ill parent with dependent children.

Guideline for Staffed Homes and other Long Stay Accommodation

Guidelines for the various forms of longer stay accommodation suggest for an area of "average need", a minimum of 30 places for a population of 200,000. At least 10 of these should be in staffed homes and at least 15 in the other types of accommodation. For an area of "higher need", the overall minimum suggested is 48 places, with at least 16 in staffed homes and at least 24 in other accommodation.
Paragraphs 4.12-4.16 discuss hospital provision for elderly people who are severely mentally infirm. There are also however many elderly people suffering from dementia in a form which is not sufficiently severe to warrant admission to hospital. For the most part they are cared for in their own homes by their families with the support of primary health care and social services but some are cared for in residential homes. Many local authorities make places available for them in old people's homes, sometimes by way of a separate wing or floor; some provide homes especially for elderly mentally infirm residents. The Department of Health and Social Security is examining the advantages and disadvantages of the various methods adopted by local authorities and may issue guidance on the subject in due course.

The point at which mental infirmity is severe enough to be beyond the scope of residential care is not easily discernible: indeed the condition of an old person suffering from dementia may vary from day to day. Nonetheless there is a need to clarify the relative responsibilities of the health and social service authorities in respect of the care of the elderly mentally infirm so as to secure the most effective deployment of the resources available; and the Department of Health and Social Security intends to mount a research project to this end. Other matters under consideration by the Department are the development of joint medical and social work assessment procedures to facilitate the most appropriate placement of elderly mentally infirm people no longer able to be cared for in their own homes and facilitate subsequent transfers between residential homes and hospital where changes in their condition make this appropriate. More generally, in the light of the increasing age and frailty of residents of old people's homes consideration is being given to the need for further guidance on arrangements for providing medical and nursing care.

The long term care of the chronic mentally ill

Earlier paragraphs have already referred to the importance of those - albeit a small proportion of all - who suffer from psychiatric disorders who are likely to need a high level of support and care, including residential care for prolonged, indeed in some cases indefinite periods. How will their needs be met within the new pattern of service?

The 'old' long stay patients

At the time of the Census of mental hospitals in 1971 there were 104,638 occupied beds in mental illness hospitals in England (representing 2.27 per 1000 population), of which 75,923 (1.65 per 1000) were occupied by patients who had been in hospital for more than 1 year. Of this group 57% (0.94 per 1000)
had been in hospital more than 10 years; 39% (0.65 per 1000) more than 20 years. The treatment which these long stay patients received when first admitted — indeed the severity of illness which necessitated their admission — will have varied very considerably according to the time they were admitted. Many of them, were they to suffer the same illness now might not require admission at all but would be treated as out patients or day patients, or if they were to be admitted, might stay weeks or months rather than years. Many of them are still in hospital not because they need specialist hospital services but because they either need other forms of shelter and support which are not available outside hospital, or have become so accustomed to hospital life — in some cases so institutionalised — that it would be inhuman to discharge them from the hospital that has in effect become their home. It is these patients who are often referred to as the 'old' (as distinct from the 'new') long stay patients. They are not easy to define in numerical terms. They can be defined only perhaps by saying that they represent those patients whose need for long stay hospital care is the result of past — and less advanced pattern of treatment — rather than for hospital inpatient services as such.

There is little doubt that virtually all those patients who have been in hospital 20 years or more would fall into this category. So too would a substantial number of those who have been in hospital more than 10 years, many of whom were admitted between 1951 and 1961, the decade when new treatments were just being developed. Even those admitted 5-10 years prior to the census will not have had the opportunities which exist now for day hospital treatment and will have been treated in hospitals with far lower staffing standards than those of today.

The 'new' long-stay patients

Nevertheless, it is clear that despite advances in treatment and staffing there are still significant numbers who become long stay patients. At the time of the Census 21,540 (0.47 per 1000 population) had been in hospital between 1 and 5 years. By 1972, this group had declined by about 1000 patients to give a rate of 0.44 per 1000. It is also clear that to a considerable extent this is the result of a lack of other more suitable facilities rather than a need for hospital inpatient care as such. The Department of Health and Social Security has recently sponsored a research study carried out by Professor Wing of the characteristics of this 'new' long stay population. The study deliberately concentrated on new long stay patients other than those suffering from dementia, since separate provision for these is envisaged in the new pattern of service (see paragraphs 4.12 - 4.16 and 4.48-4.49 above). The study examined a sample of patients aged under 65 who had been in hospital more than 1 and less than 3 years, with the aim of establishing whether they were still in hospital because they needed 24 hour medical and nursing supervision or whether their needs would have been
more appropriately met by other kinds of residential facility had these been available. (A preliminary account of the study is given in 'Providing a Comprehensive District Psychiatric Service for the Adult Mentally Ill')*. It estimated that about one third of these newly arising long-stay patients needed 24 hour medical and nursing supervision - and that the remainder, except for small numbers in special groups, required varying degrees of sheltered environment in the community.

4.53 The third who were felt to need 24 hour nursing care with medical oversight, were drawn predominantly from those suffering from chronic schizophrenia. Such patients are particularly prone to be slow and withdrawn and liable to neglect themselves. While a general hospital psychiatric unit could probably provide a satisfactory living environment for patients staying for periods up to a year or thereabouts, it would not be a suitable 'home' for the small number of chronic patients who might need hospital residential care for longer, perhaps indefinite periods. On the basis of his study, Professor Wing has estimated that the number of hospital places required for 'new long-stay' patients aged under 65 would be about 0.17 per 1,000 or 30-35 in an average health district. This would of course only meet the needs of the newly arising long stay patients in a local service. It is important to appreciate that the guideline figures given in this Chapter are in addition to the beds - gradually declining in numbers - which will still be required for many years to meet the needs of the 'old long stay patients', referred to in paragraph 4.51 above, who are already in the mental illness hospitals.

Hospital hostels

4.54 One approach to meeting the needs for hospital residential care for new long-stay patients, which it is hoped to test in a research project at Southampton, is a form of hospital hostel. On present thinking such hostels are likely to be fairly large houses reasonably close to the general hospital psychiatric unit, with the patients being cared for in a domestic atmosphere but with night nursing supervision. By day they would either attend a day hospital or a local authority day centre or perhaps go out to sheltered work. Such a unit would be aimed not simply at providing long term psychiatric care as such, but rather at a social environment with a slower pace and tempo more appropriate to their disability.

Brain damage

4.55 Mention should also be made, in the context of long term care, of patients with head injuries some of whom are at present nursed in the mental illness hospitals. Multiple problems are presented by people who suffer acute brain

* Department of Health and Social Security Reports on Health and Social Subjects No. 8 HMSO.
damage, whether traumatic or due to vascular accident and at the present time they are dealt with in a variety of different ways. Some people develop behaviour disorders after brain damage and need referral for psychiatric care; depending on the circumstances this may need to be given either as an in-patient or as a day or out-patient. Others, depending on the degree of residual deficit, may in time need placement with the younger disabled or the older demented. But one of the aspects of the care of this type of patient, particularly with the younger patient who has suffered trauma, is that slow improvement over a very long term can sometimes be expected. This makes it essential for such patients to be regularly reassessed and their treatment regime altered as necessary.

Present uncertainties and future planning

4.56 It is clear that unless and until there are further major breakthroughs in the treatment of the more disabling psychiatric conditions, some chronic mental illness will continue. There is an urgent need for more research into the overall size of the problem: Professor Wing's research looked at patients already in hospital, but little is known about the chronically disabled in the community whose needs are unmet or are being met only at the price of near intolerable strains on their families, or who are perhaps living with elderly relatives who will be unable to cope with them for much longer.

We also need to know more about the needs of the group in terms of services, how many, given the comprehensive network of local services envisaged for the future will require residential care, as distinct from day hospital or day care facilities. How many of those requiring residential care will need hospital residential care and how many accommodation in a sheltered environment outside hospital. There is some hope that as services improve and are able to offer earlier intervention and more intensive support the numbers of those needing long term residential care may ultimately decline. Until local comprehensive services are in being and we are able to monitor their effectiveness planning must nevertheless proceed on the basis that there will continue to be a number of mentally ill people - though smaller than hitherto - who will need long term residential care, and that some of this will need to be in a health service setting.

Care of people without a home or settled way of life

4.57 The mode of life of those men and women who have no settled home and have drifted into the way of the single homeless - using lodging houses, reception centres and derelict houses for shelter and sleeping rough from time to time - is not in itself a reason for discussing them in a Command Paper on services for the mentally ill, still less for referring them to the psychiatric services.
But a number of different studies have suggested that the prevalence of psychiatric and personality disorders, as also of alcoholism or drug misuse, is especially high among such people, both among the drifting youngsters whose problems are discussed in Chapter 7, and those whose way of life approximates to that of the traditional vagrant.

4.59 In a recent survey at the Camberwell Reception Centre, only 13% of the men who had received in-patient psychiatric treatment were homeless at the time of their first admission to hospital. This would appear to lend support to the theory that rather than homelessness having been a precipitating factor in the illness the long term effects of the men's psychiatric condition and the inadequacy or unacceptability of the services provided to help them may have led to their becoming and remaining homeless. It should be emphasised that though the number of men in this group suffering from some degree of psychiatric disorder or its effects may be large, the number in immediate need of hospital treatment is much smaller. There may also be a group who are unable, or highly unlikely, to benefit from further treatment, but liable without some continuing support to create problems for themselves and other people.

4.59 The problem is that men and women who are homeless are particularly difficult to help. Hospital staff and others in the mainstream of such services often find it difficult to communicate with and help people who seem alienated and unco-operative and whose response to the help they give may be poor. Their lack of an address and settled way of life may make it difficult for them to find and go to a general practitioner, keep appointments or make use of health services: some discharge themselves from hospital without completing their treatment, and others who do complete treatment are sometimes discharged without proper after care arrangements and with nowhere to go because of the difficulty of finding the right sort of supportive accommodation. The new patterns of psychiatric care now being developed may increase the difficulties of this group because of their emphasis on active treatment, and the fact that many of the day and residential services provided for the after care of the mentally ill are not well geared to helping people without a settled way of life and may not either attract or accept them.

4.60 These special difficulties of homeless people need to be recognised by workers in the health and social services everywhere. In areas where there are large lodging houses or reception centres special thought needs to be given to the psychiatric services required. Local authority or voluntary staff working with the homeless can be helped by the psychiatric services to accept and cope
with the residual effects of mental illness in some of their residents. In
genral it is thought that special psychiatric services are not required for
those with an unsettled way of life: when they need treatment they need simply -
like everyone else - to be treated effectively, promptly and with understanding.
Some hospitals serving the central areas of cities where homeless rootless
people congregate have particular experience in caring for them, but more needs
to be known about how the psychiatric services could be of help. An experiment
is to be mounted at Bexley Hospital which should throw some light on this.

After care arrangements need particular attention. It is essential that
plans are made well before the time of discharge for men and women whose history
shows they are likely to need especially well-chosen arrangements for after care
if they are not to slip into, or back to a drifting way of life. The problem
of homeless men who have been mentally ill are overlaid and exacerbated by the
general shortage of cheap accommodation for single people, and how much the
need may be for special residential services to provide this type of man with
care and support may not be clearly seen until the supply and demand for single
person accommodation is more nearly in balance. Included in the Housing Act
1974 is the provision that, for the first time, local authority expenditure on
hostels will be included in the housing revenue account. The Act also provides
for a considerable increase in the help available to housing associations by
means of housing association grants designed to cover the whole spectrum of
housing need including self contained and hostel accommodation where the primary
purpose is to provide housing. In Circular 37/72 the Department invited local
authorities to set up experimental projects to meet the needs of homeless single
people requiring care and support in a residential environment. Some
homeless men tend to be suspicious of a structured mode of living, or anything
in the nature of residential "care": they will seek out hostels or lodging
houses offering only food and shelter. But others will accept help with their
problems if it is offered in ways which take account of their eccentricities and
the style of life they have adopted. Experiments are on the way in some areas
to explore the possibilities of special day and residential services in the
community. A number of voluntary experimental services emphasising the social
rather than the physical environment have had some success in attracting and
helping men who shun other types of help.

Social workers need to develop skills in working with men and women who are
doubtful about accepting help: their confidence may most easily be gained in an
unstructured environment - perhaps a day centre - where relationships can be
built up and assessment take place in an unhurried and non-threatening environment. Some men easily become institutionalised, whether in hospital, prison or a residential setting, but experience suggests that where they are able to exercise choice about where they are to live and are involved in the day to day running of their own lives and the management of the hostels or day centres they use, there is more chance of their leading a more settled life with fewer calls on the psychiatric and social services.

Regional and sub-regional facilities

4.63 The table below summarises the various elements described in this Chapter to be achieved as economic resources allow, which together form a network of district services. Facilities are required in addition for particular groups of patients whose numbers are not large enough to warrant services for them in every district. These additional facilities, namely regional security units and facilities for mentally disturbed children and adolescents, are described in Chapters 5 and 7 respectively. They are an essential complement to the local district services and should be seen as an integral part of the mental health service.

GUIDELINES FOR SERVICES AT DISTRICT LEVEL

RATES PER 100,000 POPULATION

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>BEDS</th>
<th>DAY PLACES</th>
</tr>
</thead>
<tbody>
<tr>
<td>District general hospital psychiatric unit</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td>Accommodation for the elderly severely mentally infirm</td>
<td>30–40</td>
<td>25–40</td>
</tr>
<tr>
<td>Units for the 'new' long stay</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Hospital services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authority services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hostels</td>
<td>4–6</td>
<td></td>
</tr>
<tr>
<td>Long stay accommodation</td>
<td>15–24</td>
<td>60</td>
</tr>
<tr>
<td>Day centres</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Treatement in conditions of security

5.1 Patients should be treated with the minimum degree of security and supervision commensurate with their condition at any particular point in time. Every effort should be made to ensure that no patient is subjected to unnecessary restrictions on his freedom. Some patients unfortunately are, at some stages of their illness so continuously difficult or unpredictably violent that there is a need for them to be closely supervised and for their movements to be under strict surveillance. In these cases, in order to protect both the community and the patient himself it may be necessary to impose greater restrictions than local district services can provide; in these cases a placement in a regional security unit or in a special hospital may be necessary. Careful consideration must be given to each individual case before a place in either of these types of secure provision is made especially since both are likely to be remote from the patient's home and family thus making rehabilitation more difficult and because of the inevitable stigma which still attaches to treatment in conditions of security. Careful consideration is of course required when patients are being transferred from a more to a less secure environment, but it is important that all concerned in the mental health services should be receptive to transfers of this kind and should do their utmost to provide the after-care and support which is perhaps needed in these cases even more than in others. Only if there is sufficient confidence between the different parts of the service as a whole can there be appropriate movements in and out of these types of provision, and only then can a full and flexible service be provided in order to deal with the needs of patients as they vary over time. It is important that there should be good co-operation between the local services and these secure services.

The aim should be to arrive at a situation where no patient is in a regional security unit or special hospital whose condition does not require treatment in conditions of that degree of security; in other words such placements should only be made where there are positive reasons for doing so.

Regional security units

5.2 Regional security units are intended for patients who are continuously behaviourally disturbed or who are persistently violent or considered a danger to the public, albeit not an immediate one. The units will provide physical security but will not be expected to deal with the very persistent and determined absconder or patients for whom release attempts might be made. Special hospitals will continue to deal with the most dangerous and violent patients and those who would, if they were to abscond, present an immediate threat to the public. The special hospitals aim to provide sufficient physical security to prevent a
determined absconder from leaving the hospital although they are not expected to guard against a determined outside attempt to release a patient.

5.3 Hospital authorities were recommended in 1961 to provide for patients needing security either in regional units or in provision in each hospital. Most Regional Hospital Boards opted for the latter course but there were increasing difficulties in the latter 1960s as more and more hospitals became entirely open. A working party report has recently recommended that regional security units should be provided in all Regions, and the Department of Health and Social Security has commended this to health authorities. The report also made recommendations about the ways in which such units should be organised and operated. The provision of regional security units is also recommended in an interim report by the Committee on Mentally Abnormal Offenders. Further guidance on these units, (including design aspects) is being produced by the Department of Health and Social Security. The training needs of the nursing staff concerned are being considered by the Joint Board of Clinical Nursing Studies and field authorities will be advised of developments in due course.

Some Provision for Adolescents

5.4 The question of secure provision for adolescents is a difficult one. Adolescent psychiatric units can provide security of the kind which comes from close observation and a high level of staffing, and regional psychiatric units may be expected to provide a degree of security beyond that; while there is a very small number of adolescents whose mental condition results in dangerous or violent behaviour to an extent which requires the facilities of a special hospital. None of these is however necessarily the right place for adolescents whose aggressive, anti-authority, anti-social and uncontrolled behaviour is not significantly related to mental disturbance. The concept of the Youth Treatment Centre providing a combination of long term care, control and treatment, security and education for those young people exhibiting difficult behaviour who are neither appropriate for community houses nor for psychiatric units is being developed at the St Charles Centre, Brentwood; but there has not as yet been sufficient time to evaluate it. In fact, much has still to be learnt about the most suitable form of care for these disturbed and socially disruptive young people.
Special Hospitals

5.5 The Special Hospitals provide accommodation for patients detained for treatment whose dangerous, violent or criminal propensities mean that their treatment must be carried out in conditions of special security. The three existing special hospitals which already house some 2,300 patients (of whom 1,570 suffer from mental illness or psychopathic disorder) are under serious pressure. Moreover the physical conditions at Broadmoor are most unsatisfactory. The opening of a small advance unit of the planned fourth special hospital, named Park Lane, has eased the position a little, but Broadmoor remains overcrowded. The first stage of Park Lane Hospital is in an advanced stage of planning. The transfer into it of patients from Broadmoor will make it possible to start rebuilding ward accommodation at Broadmoor.

5.6 Broadmoor will then take fewer patients than at present and there will be about/100 additional places altogether. We shall need to reappraise the national requirements for accommodation for patients requiring this high degree of security in the light of experience of the operation of the regional security units and of any relevant recommendations by the Committee on Mentally Abnormal Offenders.

Forensic psychiatric services

5.7 In recent years there has been a welcome development of specialised forensic psychiatric services, though somewhat sporadic and uneven. Most forensic psychiatry is still carried out either in prisons and special hospitals, or by consultants who have major commitments in other fields. The need is for each region to develop a forensic psychiatric service in conjunction with the Home Office facilities and the regional security unit. In regions where no accessible Home Office facilities exist consultants will need to be appointed wholly within the NHS. A forensic service includes facilities to cope with the growing demand for assessment (particularly court referrals) and for treatment and after-care.
Housing needs

6.1 Some of those who leave psychiatric hospital after inpatient treatment need a period of residential care involving special support and rehabilitation. Ways of providing such residential care are described in Chapter 4. But many others who leave hospital are ready to return to an ordinary home immediately, needing no more than minimal support from social services. For most people there is no problem about this; but there are certain groups for whom it presents serious difficulties. Where for example a mother's illness has in part been precipitated by the stresses arising from the housing in which she was living, a return to the situation which proved too much for her before may prejudice her chance of a full recovery or even cause a recurrence of her illness. For single people who are admitted as inpatients, there is a danger that when they leave hospital their previous accommodation will not be available and, while social services staff will endeavour to prevent this, they may not always succeed. People who, before admission, were used to a shifting life of lodging houses and reception centres need a chance to live in a more stable and secure environment if they are to maintain their recovery. Some former patients, though not needing professional care, need the companionship or support which comes from sharing a home with others with similar problems or living in lodgings with a welcoming and understanding landlady. Finally, there are the many patients in psychiatric hospitals who have been there so long that they have no homes to return to though they would be able to live a largely independent life in the community if suitable accommodation could be found for them.

6.2 In all these examples what is required is essentially ordinary housing rather than any special form of residential accommodation; and it is right to look to local housing authorities, working together with the local authority social services departments, to find ways of solving these problems. It would however be wrong to think in terms of a rigid dividing line between the residential services described in Chapter 4 and the accommodation made available by housing authorities. There will be areas of overlap between the two. For example a group home may be in a flat or house rented by the social services department from the housing department - or, and this is the procedure which should be followed wherever possible, the social services department will merely supervise the overall management including rent payment and provide any necessary social work support. Ideally the various forms of accommodation described here and in Chapter 4 should be seen by local housing and social services authorities as providing between them a range of accommodation from the purpose-built staffed hostel to the ordinary council house with only occasional social work support.
6.3 In the administration of their stock of housing and in allocating tenancies, housing authorities give special consideration to people whose health is being damaged by the conditions in which they are living. In this context mental illness is one factor which may warrant priority, either in the allocation of a council tenancy, or in obtaining help from a housing association with a special interest in such problems. Security of tenure is of particular importance to those suffering or recovering from mental illness, and should be borne in mind by housing agencies; it may tip the balance in favour of a council tenancy.
5.4 The housing problems a single person recovering from mental illness may face in returning to the community can be as great, indeed sometimes greater, than those of a patient with a family. Housing authorities have traditionally given priority to the needs of families, and single people have largely been expected to find their own accommodation. Increasingly however, the special housing needs of single persons are being recognised by local authorities, and the Department of the Environment has itself given attention to ways in which these needs can be met. A variety of forms of accommodation can be provided, for example clusters of small flats of the kind described in the Department of the Environment's Design Bulletin 29 'Housing Single People'. Under the Housing Act 1974 local authorities and housing associations are able to receive for hostel accommodation the same sort of housing grants and subsidies as are available for other forms of housing. It is hoped the new arrangements will encourage provision of hostels for, among others, people who need limited support. The greater security of tenure given under the Rent Act 1974 for furnished tenants will also help many vulnerable people who live in furnished accommodation.

6.5 As local authorities and housing associations make more impact on the housing problems of single people, particularly in the central areas of large cities, ways will more readily be found by housing and social services authorities of solving the housing problems of people who have been mentally ill. Housing aid centres, whether run by local authorities or voluntary bodies, may be able to help find single people somewhere to live in privately rented accommodation. Housing associations, particularly those established to help
people who are mentally ill, and other voluntary bodies may also be able to help, and housing authorities may be able to make mortgage facilities available to housing associations planning a housing scheme with someone to look after the tenants. Some of the suggestions made in the Joint Circular from the Department of the Environment and the Department of Health and Social Security on Homelessness (DOS Circular 18/74) are also relevant; for example the need to remove the disincentive to council house tenants who wish to have a lodger.

6. The housing needs of patients who have been in mental illness hospitals for many years but no longer require continuing medical and nursing care should not be overlooked. Obviously the rate at which such patients can return to the community will be constrained by the community's capacity to meet their need for both housing and social support, but there should be an underlying recognition that hospital is not a satisfactory alternative to home. In cases where people are in hospital remote from their former home or relatives, the planning of a move from hospital to home will normally be for the housing and social services authorities in whose area the person's home was before being in hospital. In some cases, patients in hospital may no longer have contact with the place they once came from, and will have developed a number of links in the area of the hospital. They may more easily be able to make a home in the neighbourhood, and local authorities who interpret their responsibilities flexibly may be able to make this possible.
Employment Needs

Mental illness and its aftermath all too often involve a tragic waste of human potential. Part of the challenge is to minimise this by helping each individual to reach a level of employment commensurate with his potential. This is no way implies a cynical view of our responsibilities to the mentally ill. The individual frustration and unhappiness of someone who sees his abilities going to waste may be no less real than the loss it represents to society.

Mental illness tends to affect people's capacity for work in two ways - impaired functioning and changes in work attitude. Impairment of functioning, for example difficulty in tolerating stress or a high level of responsibility, cannot always be overcome and some long-term reduction of capacity may have to be accepted. If so, an important target of rehabilitation will be the development of this reduced capacity; this may involve, for example, training for some less demanding form of work. Changes in attitude to work on the other hand, are more amenable to improvement through a carefully planned programme of treatment and rehabilitation. Acquiring or regaining the ability to work effectively is often a necessary part of recovery from mental illness, and if a satisfactory resolution of work problems is not achieved the likelihood of relapse is increased.

Range of services

Some health and social services activities, for example hospital industrial therapy units and local authority day centres, are directly relevant to employment needs. There is however a limit to what these services in their present form can do. Their concern, by and large, is necessarily with problems specifically associated with mental illness. Moreover, the level of expertise which health and social services staff can develop on the specialised teaching of employment skills or basic work habits is inevitably limited by their other preoccupations. The Government's view is that specialised facilities exclusively for the mentally ill should be used only to the extent that they are justified by the special character of their needs. Help with the general employment needs and problems of disabled people is provided mainly by the
wide range of resettlement services under the aegis of the Department of Employment and the Manpower Services Commission, and the Government is anxious that these services should be used as fully as possible by all people who can benefit from them, including those who are recovering from mental illness. These services include Employment Rehabilitation Centres, training at Skill Centres and elsewhere, sheltered employment and the Disablement Resettlement Service, with its function of placing people in the most suitable form of open or sheltered employment.

6.1: The employment and training services described in paragraph 6.11, and the operation of the quota scheme for disabled people, have been comprehensively reviewed over the last two or three years with the object of making them better suited to meet the needs of disabled people. In carrying out this review it has been fully recognised that people who are or who have been mentally ill already constitute a substantial group of users; and that this group is likely to expand in the future. The review has been conducted in consultation with the Secretary of State for Employment's National Advisory Council on Employment of Disabled People on the basis of a number of consultative documents or discussion papers dealing with different aspects of the services. Agreement has now been reached on the broad lines on which the employment and training services provided for disabled people by the Manpower Services Commission should be developed; and details of these developments have been set out in the plans published by the Commission's Employment Service Agency and Training Services Agency in 1974. The main developments are summarised in the following paragraphs. Decisions about the future of the quota scheme and of the arrangements for the provision of sheltered employment have yet to be taken.

The DRO service

6.11. The key figure in assisting with the resettlement of mentally ill people into employment is the Disablement Resettlement Officer (DRO). Through his knowledge of employment skills and local occupations and his experience and training in assessing working capacity, the DRO's function is to assist and advise staff at day centres, psychiatric hospitals and units on the readiness of patients to enter sheltered or open employment, to help them find it, and to advise on the appropriateness of employment rehabilitation and vocational training courses. He should arrange the next steps for admission to such courses and the selection of suitable job opportunities on their completion, including introductions to employers and preparations with existing employers for the return of former employees.
The number of experienced senior DROs is being doubled and the training given to new entrants has been lengthened and recast. Special attention is paid during training to the needs of the mentally ill. The experimental introduction of hospital-based DROs is dealt with more fully in paragraph 6.19.

**Employment Rehabilitation**

6.13 Employment rehabilitation for people who have been mentally ill is available at employment rehabilitation centres run by the Employment Service Agency and at workshops run by other organisations. The aim of these centres is to help people to become as fit for employment as is possible within their physical and mental limitations and to assess the most suitable kind of employment for them. Such assessment would have particularly in mind the need to avoid undue stress and conditions likely to cause recurrence of mental illness. A research unit is to be set up by ESA shortly which will investigate the methods of rehabilitation used with a view to greater flexibility and variation of courses and facilities.

**Vocational Training**

6.14 The Manpower Services Commission through the Training Services Agency provides a wide range of vocational training courses intended, in relation to the individual’s capabilities, to develop existing or provide new skills for employment. For those who need it, training under residential conditions is provided by four colleges run by voluntary organisations with financial support from the Agency.

**Sheltered Employment**

6.15 Sheltered employment, organised either in special workshops or under defined arrangements with outside employers, has a well-established role in providing long-term employment for people who have a more or less permanent impairment of capacity. There are many mentally ill people with long-term limitations on their endurance, capacity for responsibility or powers of concentration, who can be usefully employed in this way. At present many of the mental hospitals are in effect providing sheltered work of a kind for the mentally ill, but with the diminution of the role of these hospitals and the expansion of residential facilities in the community for the mentally ill there is likely to be an increased need for sheltered workshop places for them. Discussions are continuing on the future role and organisation of sheltered employment in the light of the Department of Employment’s consultative document on sheltered employment. One of the suggestions put forward in the document which is of particular relevance to people suffering from mental illness is that sheltered workshops should make more efforts to promote the long-term rehabilitation of their clients than has generally been
the case in the past. The Government has not yet reached decisions on this; and
the relationship of sheltered work to other services for the mentally ill will depend in part on the outcome on the current review.

Need for co-operation between services

6.11 The health, social and employment services obviously need to co-operate closely in assisting people who are or have been mentally ill. Hospital industrial and occupational therapy, local authority day centres, and rehabilitation vocational training, sheltered and ordinary employment should all be used flexibly so that the individual can draw on a range of services in which his progress can be attuned to his individual capabilities, psychological dependence and any residua1 effects of his illness. For those able to attain it, open employment will be the eventual goal, but it is important also that people should be able to move back into less demanding situations if the need arises.

6.17 The joint aim should be to open up as many avenues as possible for the employment of those who have been mentally ill. As well as making the best use of statutory and voluntary services, it will be important to elicit the co-operation of employers. Much can be done through informal contact to educate prospective employers so that job opportunities are not lost on account of unwarranted fears or misapprehensions about mental illness. Private employment agencies can also fulfil a useful role; and there are a few agencies which have developed specialised facilities for helping mentally ill or other disabled people.

6.18 The difficulties involved in rehabilitation for employment should not be underestimated. Mental illness may in any case result in a reduced ability to tolerate stress or to take responsibility and clearly work must not subject the individual to more stress than he can accept. On the other hand, successful return to outside employment requires acclimatisation to pressures of this kind and will not be achieved if the atmosphere is too protective.

The staff in the different services need an awareness of the special difficulties of mentally ill people so that they can recognise problems when they arise and can adjust the pace and volume of the individual's work accordingly. In both open and sheltered employment, close links between the management and the psychiatric and social services are needed so that professional advice is readily available on individual and group problems.
6.14 As an illustration of how it may be possible to develop closer links between the various services, the Disablement Resettlement Service of the Employment Service Agency has made a number of experimental appointments of Disablement Resettlement Officers working full-time in some of the large hospitals. One of these experiments has been at a psychiatric hospital. It is hoped that the experiments will show that by having a representative of the ESA on the spot instead of visiting the hospital periodically, patients will be helped to commence suitable employment resettlement programmes at an earlier stage in their recovery, and will be referred at a more appropriate time that hitherto for help from the other agencies concerned. The initial signs are that the experiments have been reasonably successful.

6.20 The Employment Medical Advisory Service of the Health and Safety Executive is to study the medical / rehabilitation for those who suffer from mental illness particularly where the working environment may have precipitated their condition; it is also investigating how stressful conditions may be identified and prevented.

6.21 The problems of resettlement into employment of mentally disabled people is one of the issues with which the National Advisory Council on the Employment of Disabled People will be particularly concerned over the next few years.
7.1 Recent accounts of the prevalence of emotional and psychiatric disturbance in young people, changes in society and developing patterns of treatment indicate the need for a reappraisal of how problems of disturbance may be tackled and how resources may be better used. The Department of Health proposes to issue a consultation paper which will seek to draw together the various thread of discussion on both child and adolescent psychiatric services. It will take account of the recommendations of the committee, under the chairmanship of Professor Court, which is looking at the whole field of child health services and which it is hoped will report in the Autumn.

7.2 This chapter is concerned broadly with those up to age 19 although it is well recognised that there are some people over the age of 19 for whom adolescent services may be more appropriate than those provided for adults. No sharp dividing line can be drawn between childhood and adolescence; but it may be possible to distinguish different problems and different needs in adolescence from those applying in childhood.

Children

The Nature of Childhood Disturbance

7.3 An understanding of childhood disturbance is still developing and the planning and organisation of child psychiatric services in the future has to be sensitive to this. Childhood psychiatric disturbance, except in a very few cases, does not present as a definable mental illness; moreover it has to be seen in the context of normal child development and the interaction of factors both within the child and relating to the family, school and neighbourhood. The disturbance may show, for instance, as a disturbance in bodily functions, relationship difficulties, poor educational progress or difficult behaviour.

7.4 Family factors play a key role; sometimes these are themselves
the result of poor environmental conditions but this is not always so. Further research is required into which family factors are most significant and how best to deal with them. Recent studies have already identified some: these include severe social disadvantage, family discord, poor child rearing practices, parental mental disturbance, parental criminality, one-parent families, large family size, unwanted pregnancy, and placement of the child in residential institutions.

7.5 Environmental factors may also have adverse effects. Examples are cramped and overcrowded housing conditions, lack of play and leisure facilities, and overcrowded schools.

7.6 Factors within the child include genetic and constitutional characteristics. Physical illness, brain damage, physical handicap or mental retardation may each produce an increased likelihood of psychiatric disorder. Altered susceptibility to stress, and educational difficulties such as dyslexia have also to be taken into account.

The needs of disturbed children

Prevention

7.7 Little is known about prevention of disturbance in childhood at present, but as factors which may increase the risk of disturbance are identified it is perhaps not unreasonable to hope that tackling these will help, especially because of their wider implications for the potential development and well-being of individuals and families. Progress with the very difficult problems of poverty, inadequate housing, and unemployment can probably only be considered as part of a long-term programme. On a shorter time-scale, more use of effective family planning methods might reduce other risk factors.

Early Recognition and Intervention

7.8 It is especially important that there should be early recognition and assessment of the need for help. A significant feature of recent years has been the recognition of disturbance in children under 5 years especially in vulnerable families. All those working with children have to be alert not only to signs of problems developing in the child but to the implications of distress apparent in other members of the family. The health visitor, through her routine visits to all households with children, and also the family doctor and local authority social worker are in a special
position in this respect. All workers should know of the available services and be able to get access to them.

Treatment

7.9 The term treatment covers a wide variety of different approaches aimed at improving social functioning and developing individual potential to the full. Treatment approaches include individual and group psychotherapy, behaviour modification techniques, drugs, counselling and social intervention. Treatment may thus be carried out by a variety of specially trained professional workers and in a variety of settings. It is important for all workers to seek a common understanding of underlying disturbance so that treatment measures may be planned in co-operation.

7.10 Treatment of the family as a whole or of relevant members of it is increasing and extended use of this method may affect the perception of the nature of child, parental and family disturbance and the training required by those working in this field. More knowledge of family and group dynamics is needed; and more opportunity for staff to develop skills and insight into these processes.

The role of the school

7.11 A child's school may be second only to his home in exerting powerful influences on his growth and development. Schools can help to tackle emotional disturbance at all three of the stages dealt with referred to above. First, a good school can help to prevent disturbance arising by promoting sound development, emotional and social as well as intellectual. Secondly, children in school are under continual observation by teachers, who should be able to detect signs of disturbance and, where necessary, take steps to get specialist advice. Thirdly, ordinary schools can help to mitigate the effects of adverse outside influences on children; with special schools and classes play an important part in the management and treatment of children with behavioural and emotional difficulties. To enable schools to be effective in all three roles, full support is essential from the network of school psychological, child health, child psychiatric and social work services, which in turn rely on the schools and classes to provide special educational treatment as part of their range of options. Increasingly the need is seen for staff from these services, as well as seeing individual children, to spend more time in schools talking with the teachers. Through close and imaginative co-operation between all the staff concerned, working with the parents, schools can do much to deal with childhood difficulties, which may adversely affect mental health in adult life.
Organisation of services

7.12 In the Circular on Child Guidance issued jointly last year by the Department of Education and Science, the Department of Health and Social Security and the Welsh Office, child psychiatric services, together with the school psychological services, the social work services and child health services, were envisaged as together constituting a network of services for children in which, though each has its own independent organisation and functions, there are joint working arrangements for dealing with those children and their families whose problems call for a combined approach by more than one service.

7.13 A psychiatric service for children needs to enable the assessment, diagnosis and treatment of all children in the community - and of their families where relevant - who show evidence of mental illness or emotional disturbance. In addition to these basic functions it needs to provide consultation, advice and support for related services and for specialised establishments such as community homes. It also has an active part to play in the training of professionals in related disciplines.

7.14 Although hospital services are an essential element of a psychiatric service for children, and their continued expansion remains a high
priority, the emphasis for the future needs to shift into the community - the home, the school, health centre or other community base. Staff in child psychiatry need to work much of their time away from hospital; in addition to providing clinical treatment, they need for example to provide advice to other children's services. Their training should prepare them for this wide role. It remains for the training bodies to develop and extend broad-based training at all levels. Recently devised training programmes for the further professional training of medical staff already include community experience.

7.15 We must aim not only to meet mental disturbance when it occurs, but to promote mental well-being, drawing as necessary on a wide range of services - child psychiatric services, paediatric services, services for adolescents and for the mentally ill generally, primary health care, local education services, social work services, the community home system, the courts, and voluntary agencies.

Research

7.16 More study and research is needed into the aetiology, incidence and nature of child psychiatric disorders, into effective methods of treatment and into different patterns of organisation.

Adolescents

The nature of disturbance in adolescents

7.17 The age group involved is itself difficult to define. It is often taken as covering broadly ages 12-19 but neither can be regarded as hard-and-fast limits. The onset of puberty, which usually occurs by age 13, is commonly taken as marking entry into adolescence, but in some cases the nature of the disturbance may be such that an adolescent, so defined, is more appropriately treated with children. At the upper end of the age range the boundary is even more uncertain. Some 17 or 18 year olds may have adult values and behaviour patterns which make it quite inappropriate to regard them as adolescents. Others may, however, retain characteristically adolescent attitudes well into their twenties. These uncertainties make it extremely difficult to quantify the numbers involved; the use of the inclusive age range 12-19 (some 11.5 per cent of the population, a total of about 5.3m) is only an approximation.
7.18 A second difficulty lies in the nature of adolescence itself. It is well recognised as a difficult period of development involving problems of adjustment, and of physical and emotional maturation, often leading to disturbed and disturbing behaviour and conflict with established institutions - home, school, and society. The difficulties are exacerbated by the pressures of adjusting to living in a modern intensively organised society, and to the changing patterns of behaviour of the age group itself and of adolescent values particular to each passing generation. An individual adolescent may moreover have personal problems in connection with his family, educational, religious or cultural situation. It must be emphasised that the great majority of adolescents do not require specific psychiatric help to cope with their problems; most do not come into contact with any psychiatric services now and do not need to do so. But at the same time disturbance in adolescence may in some cases be the beginning of a serious mental illness; and it is important that such cases should be detected.

7.19 A third factor is that within the adolescent age range may be encompassed an unusually wide variety of life styles. Most of those of school age live at home, although a significant minority are in boarding schools, and smaller numbers are in community homes or residential special schools and a still smaller group are in hospital. It is commonly believed that a small but increasing number under 16 have simply left home.

Of those 16 and over a substantial minority will have left home to live in lodgings, hostels, or halls of residence, and some will live in self-supporting groups in fented flats or houses. As with younger adolescents some are in community homes or hospital, and some also are in borstals, detention centres or prisons. Finally, a phenomenon that has grown in recent years has been that of young people who do not live in any of the more conventional settings, but instead live in communes or are squatters, sleep rough or are homeless. This may result from a conscious decision - perhaps based on social or religious beliefs - or because the individual has drifted or been forced into such a way of life through inability to adapt successfully to more conventional modes of living.

7.20 Disturbance in adolescence presents difficulties in definition, in that diagnostic categories of mental illness as defined in adults apply only to a small proportion of cases. Disorder must be seen, as in childhood, in relation to the interaction between individual and environmental factors. The maturation and development that takes place in adolescence makes it difficult to differentiate behaviour directly related to a psychiatric condition
from that which relate to a transitory or impaired phase of development and which may involve a crisis in identity or in personal relationships. Thus the presenting problems are a complex of interlocking psychological and social symptoms. These may show themselves as difficulty in adapting in the family, at school, or at work; loss of self-confidence; anxiety or depression; difficulties in interpersonal relationships with individuals; antisocial or delinquent behaviour; aggression; deviant sexual behaviour; drug-taking or heavy drinking; attempted suicide and suicide; and are often as inwardly disturbing to the individual concerned as to those around him. Adolescents who do require psychiatric treatment are thus thought to need a particularly broadly based approach, often involving the family and other agencies, and aimed largely at improving social functioning.

Need for psychiatric help

There are also particular difficulties in recognising the adolescent who needs psychiatric help in a sense that is not true of children and adults. For children, recognition of need may occur through the family, the primary health care team or, particularly with the expansion of the school psychological service, through the school. For adults it may come about through evident social malfunctioning. For the adolescent, however, particularly the older adolescent, these contacts may have been lost; and while social malfunctioning may be an indicator of need, it will often be disguised by patterns of behaviour that would be abnormal among adults but are not uncommon among young people. Conversely, the risk of exaggerating need for psychiatric help is very real.

The common assumption that because an adolescent is behaving in an antisocial way the answer is recourse to a psychiatrist is not founded on results or on a realistic view of the psychiatric manpower likely to be available. In practice some problems of adolescence may require little more than a better understanding from adults of this phase of human development; and when specialist help is required it may not be clinical psychiatric help specifically but a multidisciplinary approach based on psychiatric understanding with contributions from a variety of professional workers.

Disturbance in adolescents is thus seen as encompassing social, educational, vocational and medical factors; a number of different agencies, of which psychiatric services are only one, need to be involved. For example, some special schools, the youth service and further education have an important contribution to make in providing opportunities for disturbed adolescents to continue their education and in re-establishing them in the community.

Even when an adolescent has been identified as requiring psychiatric help he may refuse or reject it. This may be because he associates it with
values or institutions of the adult world which he suspects or rejects. Others may find it difficult to see the need for help because of a lack of reality in their own outlook or in their relationships with others. Many other adolescents are afraid of being classified as abnormal or as sick. Some may consider that it is society or the world about them that needs to change.

Organisation and planning of services

7.24 The ways in which psychiatric services for adolescents have developed in the past have differed greatly. What seems to be needed for the future is that services should be organised so as to meet the special needs of adolescence. This means that for each facility, whether already in existence or in planning, consideration needs to be given to the way in which it relates to other facilities for adolescents in the area, and to the levels and type of staffing and training for them that are required. There is a particular need for health authorities together with local authorities to agree on the level of psychiatric support that they can give to the many agencies requiring it: community homes, the special education service, school psychological services, school and student counselling services, Social Work Services, the Primary Health Care Teams, the Youth Service, the Courts, the Probation Service and voluntary services. The psychiatric services also need to assist in developing insight into the nature of adolescent disturbance. As children and adolescents spend so much time in school and in further education, links with the education services are also important.

 Provision of facilities

7.25 However, before real progress can be made towards providing comprehensive psychiatric services for adolescents it will be necessary to fill a number of well-recognised gaps in some of the basic requirements. In the clinical field although there has been marked progress in the last decade in the provision of inpatient and day-patient places for adolescents, they are still only about a third of what has been estimated to be required, and there are some Health Regions which have no such facilities at all. Moreover some existing inpatient units have not yet developed a wide enough range of facilities to meet the varied needs of all groups of adolescent patients, with the result that such provision as there is cannot always be fully used. In the social services field, the number of day places and hostel places is still meagre and a significant proportion of the relatively small number of hostel places occupied by adolescents are provided by voluntary bodies, generally catering only for certain selected groups. In the community homes system, further provision is needed for difficult adolescents, some of whom are disturbed and may need psychiatric oversight, or in a relatively small number of cases treatment.
Various forms of walk-in advisory clinic have developed in this country and in other countries in Europe, and have demonstrated that, if appropriately presented, such informal facilities have a real part to play. They need to be closely related to other counselling services, particularly those which spring from what are outwardly applications for practical help, such as advice about accommodation, birth control, suspected pregnancy, work problems, drugs or drinking. Often requests for help over a problem related to the family may be a danger signal. To work effectively this entails a ready availability of psychiatric help; and such developments will be heavily dependent on the manpower that can be made available.

Staffing

At present only a limited number of psychiatrists have specialised in work with adolescents, and the scope for an increase is restricted by lack of specialised training. It is for the profession itself to decide what training is required in this field and in particular whether there should be a separate specialty of adolescent psychiatry. The Government is aware that this question is presently under discussion within the Royal College of Psychiatrists.

Psychiatric nurses engaged in treating adolescents have to be carefully selected and appropriately trained. Their numbers will also need to be increased; and in this respect the recent production by the Joint Board of Clinical Nursing Studies of outline curricula for training for nurses in the field of adolescent psychiatry is welcomed and it is hoped that this will give an impetus to the establishment of courses in this field.

The residential staff responsible for looking after disturbed adolescents in community homes often face intense pressure in the ordinary course of their work, and support and opportunities for further training are essential.

The training needs of these groups cannot be looked at in isolation, and ways will need to be developed in which the experience gained in different services can be made more widely available.

Presentation of services

Services will need to be presented and publicised in such a way as to combat the very real problems of recognition of need and reluctance to accept help, to which attention is drawn above.
8.1 Dependence is a complex medico-social problem though not of itself a mental illness or strictly a mental disorder. Psychiatrists however have taken the lead not only in treating the psychiatric and personality problems often found to accompany dependence, but also in exploring approaches to the treatment of the dependence itself.

8.2 Alcoholism and drug abuse present problems which run wider than, and differ in several important respects from, those presented by mental illness. The scope for prevention is broader. One may attempt to influence the availability of, and the attitudes of society to, the "agent", be it drugs or alcohol, as well as tackling the problems of the individual and the stresses placed upon him by his environment. Physical medicine and the general hospital services have a part to play in the treatment of physical complications - liver disease, overdoses, withdrawal symptoms, malnutrition. Lastly the development of services both for alcoholics and addicts is at a far more rudimentary stage than that of the psychiatric services generally. Most services are in some sense experimental. The special treatment units needed to explore new approaches and provide a focus for training staff in the problems of alcohol dependence are still being built up. Community services are provided to a far greater extent than for the mentally ill by voluntary effort.
ALCOHOLISM

8.3 Alcoholism is recognised as a growing problem. It is a disease with both physical and psychiatric aspects and a major social problem with wide ranging effects on families and society at large, as well as on the alcoholic himself. It is thus the concern of an exceptionally wide range of professional workers; general practitioners, general physicians, psychiatrists, nurses, health visitors, clinical psychologists and social workers, probation officers, the police and those in the prison service. It seems to be generally accepted that the treatment of alcohol dependence itself, and of its psychiatric concomitants, is most effective with a multi-disciplinary approach, the lead, particularly in a hospital setting, usually being taken by the psychiatrist.

8.4 It is one of the characteristics of alcoholism that relapse is frequent: substantial changes may need to be made in the whole way of life of the alcoholic who must himself make a sustained effort to control his desire to drink. Treatment alone, unless followed up over what may be a long period by support of some kind may have little lasting effect. Alcoholism is preeminently a condition where a comprehensive medical/social approach, with an emphasis on continued care by a multi-disciplinary team serving a locality, is particularly appropriate. Services have still a very long way to move to achieve this objective and there are still many questions to be answered.
8.5 Different surveys indicate that about 400,000 persons in England and Wales (about 11 in every 1,000 of the adult population) have a serious drink problem. Most are male. Estimates vary of the number who have reached a late stage of alcoholism and of the number whose alcoholism has given rise to physical or psychiatric complications. Substantial local differences occur in the prevalence of alcoholism, but a fairly conservative estimate suggests that in a health district with a population of 250,000 there might be 2,000 persons with a serious drinking problem. Not all of these, of course, would accept or benefit from treatment at any particular point in time.

8.6 There is some evidence linking the prevalence of alcoholism positively with the total consumption of alcohol in a population. Total consumption can in turn be related to the cost of alcohol. This may be a particularly significant relationship as the price of some alcohol drinks has decreased in relation to the price of other goods in recent years; the same years have seen a very sharp increase in the total consumption.
Prevention

8.7 Problem drinking and alcoholism are increasing particularly among young people and women. Much more effort needs to be put into finding effective preventive measures. "Primary" health education in the sense of disseminating information about the effects of alcohol and creating sensible attitudes to its use is a far-reaching task but could, in due course, help to reduce the prevalence of problem drinking. The effectiveness of the normal health education techniques in relation to drinking habits is, however, largely untested and it is inevitably an uphill task in a society where there are considerable environmental pressures on people to drink. "Secondary" health education, directed towards encouraging those whose drinking has become a problem to seek help is perhaps more likely to show results in the short term, and some pilot work has already been undertaken by the Health Education Council. Other ways of identifying problem drinkers and alcoholics at an earlier stage may be possible, for example in the context of enforcement of drink and driving legislation, or through industry.

Treatment and rehabilitation

8.8 The general practitioner can play a most important role in early diagnosis. If a problem drinker is identified at an early stage there is often a good chance of his recovery, although even at a late stage treatment may be able to help him control his drinking. Knowledge about local facilities for the treatment and support of alcoholics and their families needs to be widely dispersed among the members of primary health care teams, social workers, personnel officers in industry and others whose role may lead alcoholics or members of their families to turn to them for advice. It is important too for hospital staff to recognise drinking problems among those inpatients or out-patients being treated for a physical condition or injury which could be associated with excessive drinking. The majority of identified alcoholics who are admitted to hospital for psychiatric treatment are treated in
the general psychiatric wards of mental illness hospitals or in psychiatric departments in general hospitals. A minority—estimated at 35%—are admitted to special units. In the main these special units treat their patients for their dependence on alcohol rather than for psychiatric illness. Treatment takes the form of group and individual therapy, drugs, aversion therapy or a combination of these, and the units tend not to accept patients with severe psychiatric complications. These specialist units were not developed to replace the facilities offered by the existing psychiatric services or other forms of specialist treatment, but so that they might serve as a local focus of expertise, training and research for all the services concerned with alcoholics in their region. Other hospitals are expected to continue to offer psychiatric treatment, on an in-patient, out-patient or day-patient basis to alcoholics in the areas they serve.

8.9 In some areas where homeless, chronic alcoholics congregate and where the police are faced with large numbers of habitual drunken offenders some special facility may be needed to bring them into contact with treatment and support services. The Department of Health and Social Security is seeking to set up a few experimental detoxification centres, as recommended by the report of the working party on habitual drunken offenders.* One objective will be to find out how effective such centres would be in getting habitual drunken offenders to seek or accept help; another to find out whether such centres, whose work has both medical and social work components, would be better provided as an integral part of a hospital service or as a community based service. Consideration must also be given to habitual drunken offenders in areas where a special detoxification service would not be justified.

* HMSO 1971
The development of community services for alcoholics has been largely on the initiative of voluntary organisations. Historically much of the impetus has come from groups concerned with the problems of the homeless offender who is also an alcoholic. This background sometimes leads to differences in approach between those working primarily with alcoholics who have been offenders, and those whose original role was to provide aftercare for other alcoholics. It has also meant that, to local authorities, community services for alcoholics may have been seen as lying somewhat outside the mainstream of residential care. The community services needed range from those concerned with prevention and putting problem drinkers or alcoholics in touch with treatment services or other sources of help, to counselling for the alcoholic and his family, residential care, day care and self-help groups such as Alcoholics Anonymous. It is important that voluntary organisations in each of these fields work closely with each other and with the probation, social and medical services. Whatever their special interests or approach, they should see themselves as forming part of a comprehensive local pattern of services for alcoholics. Equally, local authority social workers should recognise the needs of alcoholics and their families, and should not, as sometimes happens now, shrink from the attempt to help them, either personally or by referring them to other agencies. In the past, with alcoholism treatment services only to be found in a few centres, few social workers have had direct contact with them but as more local services develop this should change.
A very considerable expansion of community services for alcoholics is needed. Despite local authorities' current problems of resources a number are showing an interest either in developing their own services for alcoholics or in helping voluntary bodies to do so. The Department of Health and Social Security's current scheme for the revenue and capital funding of hostels for alcoholics channels funds to voluntary bodies for establishing new hostels or expanding existing ones: a condition is that the local authority should approve the scheme and be prepared in the long run to ensure that it is financially viable. The process of absorbing these hostels into the general pattern of the statutory and voluntary residential care services is however a slow one.* Particularly with the current limitations on social services authorities expenditure, few hostels are finding it easy to persuade social services authorities to pay maintenance charges for clients, especially clients without strong local roots. Nevertheless the number of these voluntary hostels is growing and it is hoped that the Department of Health and Social Security's grant scheme will produce some 100-120 new places a year during the remainder of the period 1973-1978 for which it was set up. Some financial help is also being given to voluntary bodies providing or wishing to set up information centres and also for "shop fronts".

*A hostel may need to draw its residents from several neighbouring local authority areas; some authorities have been reluctant to sponsor new hostels which they see as attracting potentially difficult clients to their areas.

The future generally speaking, services for alcoholics are at present ill co-ordinated and patchy. Prevention has been neglected, or left to precariously financed voluntary initiative. There is still one region without a specialised hospital treatment unit. The extent to which the general psychiatric services treat alcoholics varies from place to place. Some of the specialised units, besides being highly selective, have not developed their role in co-ordinating services for alcoholics in their own area, and stimulating developments elsewhere in their region. Follow-up and support may be absent or at best inadequate where alcoholics are treated at a distance from their home, and even where they are treated locally, after care facilities are sparse. Were it not for Alcoholics Anonymous, this lack of facilities would be even more serious.
There are gaps in our knowledge of the existing services and their effectiveness: more evaluation is needed of different methods and settings for treatment. Although 2 out of 3 alcoholics can be expected to show some benefit as a result of treatment, we can still hope to improve the long-term results.

The task must be towards a far better co-ordinated network of services with earlier identification of alcoholics and more effective follow-up services. This calls not so much for the development of many more specialised hospital services or community services - though these last need a great deal of development in some areas - as for a greater awareness of alcoholism and of the needs of alcoholics among professional workers throughout the health and social services, and in fields such as probation and the penal system. Training - especially in-service training, in which the staff of the specialised units can play an important part - should provide in every area a nucleus of staff with a sufficient understanding and experience of the problems of alcoholism who can use their experience to support others - doctors, nurses or social workers - whose roles bring them into contact with alcoholics. The extent of alcoholism and the evidence that the problem is growing would appear to justify the setting up of services for alcoholics in most districts and a realistic objective might be for one of the consultant psychiatrists in each district to devote a part of his time specifically to alcoholism, with a remit to offer advice and support to community workers whether health, social services or voluntary, as well as treating alcoholic patients. To prepare some consultants to take this special interest in alcoholism, psychiatric registrars and senior registrars should have the opportunity to train in a specialised treatment unit and those wishing to specialise further should be encouraged to do so. In medical education an awareness of alcoholism in the undergraduate curriculum and further theoretical and practical training as a postgraduate will help general practitioners in their role in the wider alcoholism treatment services. Other professions too, through their different training bodies, will have to consider the training implications of a more locally based service. The Joint Board of Clinical Nursing Studies has recently introduced a 36-39 week course for trained nurses, covering drug dependence as well as alcoholism. Experience in the Alcohol Education Centre and in providing in-service training in many of the alcoholism treatment units has shown that a multi-professional approach can also be valuable.
The recent reorganisation of the NHS provides an opportunity to examine alternative ways in which services could be provided. It seems sensible that under the new structure the Area Health Authority should be the focal point, both for collecting information about local alcoholism problems and for determining a strategy appropriate to the area, while in each district every effort should be made to establish an effective service for the locality. Resources further afield may need to be used where there are special needs, such as residential care for which there is no substantial demand locally. The machinery of the joint consultative committee has a crucial part to play in ensuring the necessary collaborative approach among all the local services involved with alcoholics and their families. It seems clear that voluntary services have a part to play for many years to come. Area Health Authorities, as well as local authorities, separately or jointly, need to accept a degree of responsibility for their financial viability, and for the support their staff may sometimes need.

The emphasis in provision should perhaps turn towards a more locally based treatment service with much of the work done in the community or in an out-patient or day hospital setting, supplemented by in-patient facilities, whether these are specialised or part of the local psychiatric service. A problem for the long-term is that the specialised units are at present sited in mental illness hospitals and as more locally based psychiatric services are developed, it will be necessary to think again about their role and location. The precise pattern of service adopted could vary from district to district, depending on local circumstances and need. Different ways need to be found of increasing the effectiveness and skill with which primary health care teams, social workers and others, deal with the drinking problems they encounter among their patients or clients. An early objective would be to build up in a series of chosen areas a balanced complex of preventive treatment and rehabilitation services which would provide an opportunity to evaluate experimental patterns and new ideas. There is a special need, too, to develop more effective services for those homeless alcoholics whose needs were studied in the Home Office report on the habitual drunken offender. These services - whether residential or day services - need to work closely with the
treatment services as well as with the probation service, police and courts, and may also be able to co-operate with the staff of projects concerned primarily with accommodation for the homeless in reaching out to men who are not yet ready to accept that they have a drinking problem and need help.

8.16 At this time, when ideas are changing about the way in which treatment in community services should develop and questions of prevention are acquiring greater urgency, there is need for a recognised source of advice on alcoholism and services for alcoholics and problem drinkers. An Advisory Committee on Alcoholism has therefore been appointed. Initially its members will serve for 3 years, and during this experimental period it is hoped that they will be able to review and advise on many of the questions canvassed in this Chapter. They will also be responsible - and this is also an organisational experiment - for promoting the development of those services specially needed by homeless alcoholics - a field where progress has been slow.

A special sub-group of the Committee has been set up to undertake this task.

8.17 There is no reason why action should wait until this new Committee has reported. Much can be done during the next few years along the general lines indicated in these paragraphs, and without any additional call on health service or local government resources. Some of the changes may involve redeployment rather than additions to existing services or manpower. Experimental developments will continue for the present to be centrally financed in whole or in part. New patterns of provision may emerge and we should not yet draw up a definitive policy for future services.
8.18 The prevention of drug misuse and the treatment and rehabilitation of drug addicts calls for close co-operation between health, education, social services and law enforcement authorities and the voluntary bodies working in this field. Many of those addicted to or misusing drugs are young people with a variety of problems and often a history of emotional deprivation, disturbance and separation in the family, and sometimes institutionalisation: they may or may not see their drug misuse as a problem. Both licitly and illicitly obtained drugs are misused in a wide variety of ways. A contributory factor to certain types of misuse is the ready availability of certain drugs either from illicit sources such as break-ins at pharmacies or, especially in the case of barbiturates and other sedatives or hypnotics, through prescription.

8.19 Many addicts misuse several drugs depending on availability and fashion. The total number of misusers of drugs for which notification is not mandatory is difficult to estimate. Multiple drug misuse among young people appears to be increasing and the use of barbiturates gives cause for concern. The current number of active narcotic addicts is probably around 2,000 and the trend, though not steep, is upwards. The number of narcotic addicts in the United Kingdom known to the Home Office to be receiving drugs was:

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 1971</td>
<td>1555</td>
<td>(238 therapeutic addicts)</td>
</tr>
<tr>
<td>31 December 1972</td>
<td>1619</td>
<td>(201 &quot; &quot; )</td>
</tr>
<tr>
<td>31 December 1973</td>
<td>1818</td>
<td>(222 &quot; &quot; )</td>
</tr>
</tbody>
</table>

There is a small illicit market in heroin and methadone and most of those notified have a history of drug taking over a two or three year period: The total number of narcotic addicts is
therefore likely to be greater than the number notified at any time.

A pool of addicts on long term maintenance who are unwilling to try to break their dependence on drugs has built up in the years since the present treatment system was introduced in 1968. At the end of 1973 46% of notified addicts were under 25 and 75% under 30: each year there have been fewer notifications of addicts in their teens.

Prevention

Drug misuse needs to be seen as part of the wider problem of society's over-reliance on drink, cigarettes, and prescribed drugs, such as sleeping pills or tranquillisers. It differs, however, in that most forms of misuse are illegal. Besides law enforcement prevention can be attempted in a variety of ways, including health education directed towards the public's attitude to drug taking in general and health education in schools where it can best form part of a discussion programme on health issues and problems of personal relationships.

Not enough is yet known about the types of health education most effective in this difficult area. An ill advised approach, by feeding interest in drugs in the wrong way may actually encourage experimentation. Very few become dependent compared with the number who may experiment with drugs, and those who deal with the young need more skill in recognising the possible signs of regular drug misuse.

More important in the long run than health education may be the availability of advisory and therapeutic services discussed in Chapter 7 to help young people in those personality needs or inadequacies which usually underlie a continued and regular interest in drugs. There is room, too, for indirect forms of prevention, aimed at creating a range of enjoyable and emotionally satisfying activities for young people and encouraging easier and stable relationships between adults, including parents, and young people.

The Advisory Council on the Misuse of Drugs, which advises the Home Secretary and the Ministers concerned with health and education on all the problems to which the misuse of drugs gives rise has recently recommended the setting up of a
steering group of doctors to direct a campaign of education aimed at persuading doctors to reduce their prescribing of barbiturates. Members of the public would also be encouraged to rely less on psychotropic drugs in general, especially hypnotics. A voluntary approach of this kind proved successful, a few years ago, with amphetamines.

**Treatment and Rehabilitation**

8.2A The treatment and rehabilitation of addicts is seen very much as a single process. Treatment is regarded primarily as a clinical responsibility: and the drug dependent person is regarded as having a medical problem which is probably best treated by a consultant psychiatrist with a special interest in drug addiction.

8.2B Treatment for narcotic drug dependence is provided mostly in special treatment centres set up for this purpose: these clinics have the subsidiary purposes of providing a licit and controlled supply of narcotic drugs for those addicts whose doctors consider they need them, and of acting as a means of restricting the extent of the illicit and uncontrolled market in these drugs. General practitioners are not able to prescribe heroin or cocaine, and although they can prescribe methadone they are encouraged to send addicts to the drug treatment centres or psychiatric hospitals for treatment. There are fifteen out-patient treatment centres in London and twenty-one in the provinces. Treatment may take the form of withdrawal from drugs, or "maintenance" therapy where the objective is to stabilise the addict and enable him to function normally in the community. The approach is usually multi-disciplinary and although most addicts are treated on an out-patient basis some need a period of in-patient treatment or rehabilitation in a residential unit. Addicts dependent on narcotic drugs are mainly concentrated in the London area where there is some recent evidence that the pressure on treatment facilities is growing: the situation is under review. There are still some areas in the Home Counties and provinces where there are drug problems but no special treatment services available. The psychiatric services need to be developed in these areas to provide a local service and to relieve pressure on the London services.
Most non-narcotic misusers who find their way to the treatment services are treated through the general psychiatric services, either as out-patients or in-patients, alongside patients who have other problems. A few of the special treatment centres hold clinic sessions for the out-patient treatment of this group. Out-patient treatment, however it is provided, meets with the problem that many drug misusers fail to keep appointments or to persist with treatment. It may be that out-patient treatment is not seen by soft drugs misusers as offering them help with their real needs as they perceive them. An alternative approach might be for a multi-disciplinary team to work in a community rather than a hospital setting, offering a service to drug misusers as a part of the local services for young people described in Chapter 7. Older people with a drug misuse problem may be ready to accept treatment through the general psychiatric services. A particular problem is the drug misuser who is prone to take overdoses, sometimes, during periods of crisis, very frequently. Accident and emergency departments in some central areas are very familiar with this type of patient, who usually discharges himself as soon as he is resuscitated. There is a need to find some way of helping these very disturbed and self-destructive young people; and it is hoped, with the help of voluntary bodies working closely with certain accident and emergency departments, to offer a short-term residential unit where their needs could be assessed and an attempt made to persuade them to accept help.

The social work member of a treatment centre is an essential part of the multi-disciplinary team and acts as its link with other members of the social work services and with voluntary services. Many of those narcotic addicts who attend the treatment centres are leading reasonably stable lives, often living with their families and in employment, but each centre sees a number of disorganised addicts who need social work help with their emotional and family relationships, accommodation and education or employment. This group can be extremely difficult to help; the social worker needs to use his knowledge of young people and of drug dependence to develop skills in working with them and in interpreting their needs to others.
At present it is exceptional for local authority social workers to be deeply involved with the problems of the multi-drug misuser who is not in touch with the treatment services, though there are signs that social workers who encounter a drugs problem in the course of their work are beginning to use the support of their colleagues in the treatment centres with their special experience and skills. It may be that this is the right pattern, and that, as suggested above, broad spectrum services for young people may best be able to help provided that they can call on the support of those with special experience of drug dependence.

8.2.6 At present, few of the existing day or residential services for addicts and drug misusers are provided by local authorities, though most voluntary organisations working in this field rely heavily on local authority financial support. The voluntary services have so far developed in somewhat piecemeal fashion, though there is some movement towards co-ordination through the Standing Conference on Drug Abuse. Social services departments, aware of the changing needs in their own areas, may find that, as in London, they need to combine to set up or support the facilities needed by a whole region of the country. Local authority social workers and those in voluntary agencies, could well work more closely together.
8.27 Drug dependence is a difficult area for information gathering. The parts of the picture have to be drawn together from many different sources - the local hospitals, the experience of family practitioners and chemists, schools, the police, and voluntary bodies. As with alcoholism, strategic planning and the co-ordination of activities in this field is a role in which area health authorities, social services authorities, and the joint consultative committees which link them, can play a vital part. Trends in drug misuse change, and it is important that there should be a flexible and local approach to the problem, so that a response can be made to needs as they arise.

8.28 As with alcoholism there seems a clear need for in-service training for professionals working in this field, and a multi-disciplinary approach, in encouraging the sharing of experience between those working with addicts in different settings, has much to recommend it.
CHAPTER 9
MANPOWER

MEDICAL STAFF

General psychiatry

9.1 As new patterns of treatment and care develop the demands on the time of the psychiatrist will increase. Much of his time will necessarily have to continue to be devoted to in-patients and the pattern of service changes he will have responsibility for patients in the psychiatric department at the general hospital, as well as in the 'related division' of the mental illness hospital; in some cases he will also have consultant oversight of the elderly severely mentally infirm. But there is a wide range of other calls on his time. There has for example been a marked increase in the number of out-patient sessions, and a striking increase in the number of day patients. These trends are expected to continue as more facilities become available and such services become more accessible. Also increasing are domiciliary consultations, enabling the consultant to assess the needs of the patient against his home background. Such domiciliary consultations, perhaps as part of a crisis intervention service, can sometimes be of valuable help in enabling the patient to overcome his problems without disrupting his home; but they may necessitate intensive visiting over the crisis period, and can make considerable demands on the time of medical and other staff.

/See Appendix, paragraph 3/
9.2. In addition to his clinical functions, the consultant psychiatrist needs to devote time to consultative and supportive work for the social services, especially in day care centres and residential accommodation. He has to train and supervise junior medical staff. He has also, as multi-disciplinary therapeutic teams develop, to play an advisory and supportive role in relation to other members of the team, and co-ordinate their different approaches to patients and their problems. As leader of the therapeutic team he will also have a considerable administrative role.

9.3 There is however increasing interest in whether some functions at present carried out by psychiatrists might not be undertaken, at least in part, by other professions. For example, the psychiatric nurse has already been recognised as a full member of the therapeutic team. In some areas "nurse therapists" are undertaking highly responsible work, particularly in relation to the treatment of phobias.

A Working Party has been considering the role of the psychologist in the health service and it may be that in future the therapeutic component of their role in relation to the mentally ill will be much greater than at present. There is also the possibility that with local and ready access to psychiatric advice and to help from psychologists, social workers and nurses, more work with the mentally ill could be carried out by the primary care team.

Targets

9.4. Nevertheless even allowing for changes which may result from these developments, it remains clear that more consultants will be needed in future; it is intended to increase the number of consultant posts in mental illness to the extent that available resources permit. The first step towards formulating a series of target levels for medical staffing was taken in the context of guidance on minimum standards for hospitals for the mentally ill issued in 1972. Authorities were asked to ensure that by the end of 1974 each hospital for the mentally ill had a level of medical staffing of at least one consultant per 220 resident patients. The aim was to bring the worst staffed hospitals up to
at least a minimum level. At the last count in September 1973, this level had still not been reached in 26 hospitals. As the new pattern of services develops, with its increased emphasis on day patient and out-patient care, and advice and support to other services, the level of medical staffing needs to be related to the population served rather than to the number of in-patients. The present national average is one consultant to about 60,000 population but this conceals wide variations in different parts of the country; and as a first target Health Authorities have been asked, to ensure that in each health district there is at least one consultant to 60,000 population. Again this is not seen as an optimum standard. The intention is rather to ensure that the benefits of consultant expansion are felt first in those districts which are most under-staffed. When the ratio of one consultant to 60,000 population has been reached the next objective will be an interim target, as available resources of doctors and money permit, of one consultant per 50,000 population, and the eventual aim is to reach a ratio of one consultant per 40,000 population in all districts. These targets cover all work with adults; i.e. they include consultants working in the field of forensic psychiatry and those with the special interests referred to in the next paragraph.

9.5 Some psychiatrists take a special interest in particular groups of patients. An increasing number of new posts for example are for psychiatrists with a special interest in the elderly. Some patients may require intensive psychotherapy and there is a call for psychiatrists having special training in this field. Other psychiatrists have a special interest in addiction problems and it is likely that more posts of this sort will be required. At present none of these special interests are formal psychiatric specialties.

Forensic psychiatry

9.6 Forensic psychiatry is a recognised psychiatric specialty, though apart from the special hospitals and the Institute of Psychiatry and its associated hospitals, there are at present only 10 consultant posts in the NHS. These are joint appointments between the Home Office and regional health authorities. The 8 senior registrar posts which have been established provide some scope for consultant expansion but a broader training base is needed. The introduction of regional security units in the next few years will no doubt call for a sizeable increase in numbers. It is understood that the Royal College of Psychiatrists is considering the production of criteria against which individual training posts can be looked at.
Child psychiatry

9.7 Child psychiatry is recognised as a separate psychiatric specialty. At present the national average ratio of consultant child psychiatrists to total population is one to about 250,000, but here again, numbers are far below those needed to meet demands. As an initial target, it is hoped to bring the ratio up to one consultant child psychiatrist per 50,000 children, which is roughly equivalent to one to 200,000 total population. There is a wide variation in the level of staffing in different parts of the country and the intention is to concentrate first on those areas which are worst staffed. The number of consultant child psychiatrists needed in the longer term, and ways of increasing the number available will be examined further in the consultation paper to be issued on child and adolescent psychiatric services and referred to in Chapter 7.

Adolescent psychiatry

9.8 Adolescent psychiatry is another area in which there is a serious shortage of specialist staff. The profession is at present debating what training requirements are appropriate and whether there should be a recognised specialty of adolescent psychiatry; and it would not be appropriate at this stage to formulate specific targets. The manpower requirements will also be considered in the consultation paper.

Training

9.9 Reference has already been made to the need for better training of medical staff. The direct object is better preparation of staff for their demanding role, but a valuable spin-off is the aid to recruitment which comes from providing stimulating postgraduate medical education. Young doctors are attracted to specialties with lively training. This is a matter primarily for the Royal College of Psychiatrists. A Joint Committee of the Royal College of Psychiatrists and The Association of University Teachers of Psychiatry has begun to accredit hospitals for training purposes, with the aim of ensuring that all training policies conform to acceptable standards.
The Joint Committee has recently published its first report giving guidance on training programmes in psychiatry. The recommendations of the report "Psychiatrists in Training" call for more teaching staff and more rotational training posts between teaching and non-teaching hospitals, to provide a good cross-section of experience. The Government stands ready to play its part with the College in evolving a coherent training and manpower strategy for the specialty.

Recent years have seen a welcome growth in academic departments of psychiatry with a consequent increase in the teaching of psychiatry at undergraduate and postgraduate level. This development has helped to improve the standard of psychiatric training at all levels.

There is considerable scope for improving both the identification and treatment of mental illness by general practitioners, and their skill in recognising when specialist treatment is needed. General practitioners already practising, as well as newly qualifying graduates, will need training for this role. The arrangement whereby some consultant psychiatrists have regular sessions in health centres and general practitioner group practices may itself lead to increased awareness. The Royal College of General Practitioners recognises the need for vocational training for general practice to include a psychiatric element in training programmes. The setting up of local psychiatric services will greatly facilitate this. The importance of psychiatry in undergraduate medical education was stressed by the Royal Commission on Medical Education. It emphasises the need for all undergraduate teaching hospitals to develop as quickly as possible a local psychiatric service integrated with related services in the community.

Brook, Peter (1973) British Journal of Psychiatry Special Publication No. 7
Nursing Staff

9.12 At 30 September 1973 there were in mental illness hospitals and units the whole time equivalent of about 42,000 psychiatric nurses in post.

This figure includes registered and enrolled nurses, student and pupil nurses and nursing assistants. The number of psychiatric nurses has increased in recent years, and the increase is expected to continue. Two important factors are the raising of the school leaving age and the Government's acceptance of the recommendations of the Briggs Committee on Nursing. The raising of the school leaving age has shortened the gap between the school leaving age and the minimum age of entry into nurse training, and is expected to bring in many of the school leavers who want to enter nursing but who would otherwise go into other careers because of the waiting period.

The Briggs Committee have recommended that a period of psychiatric nursing should be included in all nurse training programmes and it is hoped that as more nurses see the scope and attraction of psychiatric nursing they will increasingly turn to this.

District psychiatric nursing service

9.13 Authorities were asked, in the guidance on minimum standards issued in 1972, to ensure by the end of 1974 a nurse staffing ratio of at least one nurse per 3 in-patients in all mental illness hospitals. At the last count in September 1973 this standard remained to be met in only 8 hospitals. But although we must continue to ensure an adequate level of nurse staffing in the mental illness hospitals, the planning of psychiatric nursing services for the future will need to relate nurse staffing to the total needs of the population rather than to one particular type of facility.

The district psychiatric nursing service in the new pattern will be all responsible for meeting the psychiatric nursing needs of mentally ill people from the district - whether as in-patients, out-patients or day patients, and whether in local general hospitals or in the "division" of the mental hospital serving the district. It will include community psychiatric nursing for patients living at home and specialist nursing advice to primary care teams. It will also include the psychiatric nursing of elderly severely mentally infirm patients - whether in the mental hospitals or in local hospitals. As the pattern of services changes, so it will be necessary to
change the pattern of deployment of nursing staff within the district and it will be one of the responsibilities of local nursing management to decide how best to deploy staff between the different elements of the district service at any one point in time.

Targets

9.14 In the light of present and expected future numbers of psychiatric nurses, the Department of Health and Social Security is aiming at an initial target in each health district of a level of psychiatric nurse staffing of 85 nurses per 100,000 population, increasing gradually as resources permit to 100 nurses per 100,000 population.

The present national average is about 85 nurses per 100,000 but they are not evenly distributed. There has not yet been enough experience of the working of the proposed pattern of services for the mentally ill and units for the elderly severely mentally infirm to issue more detailed guidance on nurse staffing levels at this stage. In addition nurses will be needed to staff the psychiatric services for children and adolescents, as well as other special units such as the regional security units.

9.15 At present the proportion of qualified to unqualified nurses is 55:45 and is thought to be too low. A provisional aim is to move towards a position in which, nationally, some 60% of psychiatric nursing staff, excluding teaching and administrative staff, are qualified, and within this total of qualified staff, the proportion of registered to enrolled nurses is of the order of 2:1. It will clearly take some time to achieve this balance.
Psychiatric nurse training is at present undertaken almost entirely in the mental illness hospitals, although in practice nurses are increasingly working in local services which have a very different pattern of treatment and care. While the form of nurse training is mainly the responsibility of the General Nursing Council, the Government recognises the need for training to take place in general and community hospitals as well as in the mental illness hospitals, and welcomes the introduction of rotational schemes whereby students and pupil nurses spend part of their training period in a mental illness hospital and part in a general hospital psychiatric unit.

**Social services staff and their training**

It is not possible to isolate and hence to quantify social work staffing needs for the mentally ill. The staff involved include field social workers, residential staff and staff employed in day centres. Most of them are concerned not only with the care of mentally ill people but with the promotion of mental health in a wider sense and it is difficult to quantify the amount of time spent exclusively with the mentally ill as such.

The body responsible for social services training is the Central Council for Education and Training in Social Work; and several recent developments in their thinking have special significance in relation to work with the mentally ill. The Council have adopted proposals for the integration of training for field social work with training for day and residential care, and for the development of a new type of national training in addition to that leading to the Certificate of Qualification in Social Work (which has, up to now, been largely confined to field social work). Both forms of training will in future cover the whole range of work in the social services.

The Council recognise that while elements of training common to all sectors of the social services are needed there must also be provision for specific training in the needs and problems of particular groups such as the mentally ill. The Council have adopted the recommendation of their Working
Party on Training for Social Work with Handicapped People (a term which for this purpose includes the mentally ill) that in addition to general training on the problems shared by all handicapped people there is a requirement to develop further and advanced training courses on the needs of particular groups such as mentally ill people and those suffering from severe personality disorders.

9.20 It is important that in each local authority social services department there should be senior staff who have had further specialist training in the specific needs of the mentally ill and can bring this experience to bear, both in giving specialist help and advice to the social work area teams, and in participating in the planning and development of services for the mentally ill. Some of the social workers who are working in the health service have already had such further training and full use should be made of their special experience. Particular account will have to be taken of training for social workers assigned to statutory duties in relation to the Mental Health Act. These duties often involve making decisions in emergencies. As a minimum staff will continuing inservice training to give them confidence and skill to handle emergency cases when compulsory admission to hospital may be necessary.

9.21 These proposals for training will make heavy demands on resources, both of the social services themselves and of the training system. This is a particular problem in the context of the present economic situation, as a result of which the Government has for the time being had to ask local authorities not to increase the level of their total manpower establishments. It is therefore all the more important that authorities should do their best to provide training for existing staff so that they can be used to their full potential. The Department of Health and Social Security is well aware of the difficulties formed by these conflicting pressures, and has formed a Working Party, drawn from the other central government departments involved, the local authorities' associations, the Central Council for Education and Training in Social Work, the Personal Social Services Council and the professional organisations, to consider the whole question of the future needs for trained manpower in the social services in the light of the resources available.

Psychologists

9.22 Clinical psychology is one of the newer health service professions and has undergone very rapid development in recent years. At one time the main concern of psychologists in the health services was with relatively routine forms of psychological measurement such as intelligence testing, providing in effect an ancillary service to psychiatrists and other medical staff. More recently psychologists have developed a very wide range of assessment
techniques which can play an important part in the choice and evaluation of treatment. They have developed a number of new forms of treatment based on psychological principles, including various forms of behaviour therapy, which are of particular value in the treatment of the mentally handicapped and those suffering from phobic conditions.

In addition to their developing therapeutic role, the work of clinical psychologists is characterised by its emphasis on a teaching approach and by the application of research techniques in assessing the effectiveness of treatment and rehabilitation programmes.

9.23 The number of clinical psychologists in post at 30 September 1973 was 553. Of these about 400 were based in mental illness hospitals and units, but in addition psychologists based elsewhere - for example in Departments of Psychology in general hospitals - probably devoted a significant amount of time to the mentally ill. There is no doubt that in principle the contribution of psychologists in this field justifies a substantial increase in their numbers. The role and organisation of the profession have recently been reviewed by a working party whose recommendations are expected shortly. In the light of these recommendations the Government will be considering how the development of psychology services in the whole range of health service specialties, including mental illness, can best be assisted as resources permit, and will be examining the manpower implications.

9.24 One aspect of this development may well be to reinforce the tendency already apparent for the profession to acquire a more independent status within the health services, with Departments of Psychology increasingly taking responsibility for managing their own services. But at the same time it is essential in field, such as mental illness that the psychologist should work as a full member of the therapeutic team and that his work should be fully discussed and agreed with the other members of the team. This should not, of course, inhibit contact between psychologists and the primary care team, or between psychologists and social services staff.

*Whole time equivalent*
When emotional and behavioural difficulties arise in schools and when special education needs are assessed, the contribution of educational psychologists and of school psychological services is important. Their support for teachers and pupils in special schools for the maladjusted and for those working with emotionally disturbed children will also help in the general field of mental health. Co-operation between psychological services for children developed by the area health authority and between psychological services developed by the local education authority is essential to ensure that the contribution of each is used to the best advantage.

Psychotherapists

At present the National Health Service does not have sufficient staff to provide specialised psychotherapy for all patients who might be considered to benefit from this form of treatment. Because of the amount of time required, psychiatrists who have had special training in this field can provide services for only a limited number of patients, and even with the prospective increase in the number of psychiatrists, there is unlikely to be any substantial increase in the amount of specialised psychotherapy psychiatrists are able to offer. The Department of Health and Social Security accordingly has proposed that there should be a review of the long-term priorities for the development of psychotherapy within the National Health Service, having regard to other mental health priorities and the resources likely to be available. One of the matters which will no doubt be considered in this review is the scope for employment within the health service of suitably trained psychotherapists without medical qualifications. In the meantime it has to be acknowledged that some groups such as those suffering from severe forms of phobia may be particularly vulnerable to this staff shortage.

Occupational therapists

Involvement in creative and constructive work, and regular assessment of progress, is an important part of treatment and rehabilitation programmes. At 30 September 1973 there were 542 occupational therapists employed in mental illness hospitals and units, and 932 unqualified staff. The numbers of occupational therapy staff in such hospitals and units have been increasing in recent years and it is hoped that this trend will continue. It will be important to make the
most efficient use of qualified staff by employing aides working under the supervision of qualified therapists and a training course for aides has been established by the British Association of Occupational Therapists. The use of volunteers and paid staff in fields such as art, music and drama, working under the guidance of occupational therapists or the specialist therapeutic team, is also to be encouraged.

**Domestic staff**

9.1 The Department of Health and Social Security issued guidance to health authorities in 1972 on a minimum standard of domestic staffing. At 30 September 1973 36 hospitals accounting for nearly one third of all mental illness beds occupied were still below this standard. The achievement of a reasonable level of domestic staffing in all mental illness hospitals as soon as practicable is essential to relieving nurses of basic cleaning duties so that their skills can be applied to the treatment and care of patients.
The importance of research

10.1 In recent years there has been extensive research in Britain and overseas into both the fundamental nature of mental illness and various aspects of the needs of mentally ill people. The Medical Research Council has given much attention to this field and the contribution of the Council and its various specialised units to knowledge about mental illness has been substantial. The Department of Health and Social Security has also supported a continuing programme of research on mental illness.

10.2 Research is vital to the further development of the Government's policies. The body of existing knowledge about the needs of the mentally ill is, of course, very substantial and the policies put forward in this White Paper reflect a large measure of agreement (as well as some inevitable disagreement) about them. We owe much of this knowledge to research already carried out. But equally the foregoing chapters have made clear that there are serious gaps in what is known. On many issues only a tentative view can yet be formed. The ideas underlying the new pattern of services are not in themselves novel, but the development of these services has so far been uneven and patchy, and there has been no real experience as yet of the way in which they all work together as a comprehensive whole. Systematic research and evaluation are essential to assess their effectiveness in helping the mentally ill and to ensure that short-comings are identified and rectified.

10.3 Research concerned directly with the operation of services cannot be divorced from the more fundamental study of the nature of mental illness and its response to different treatment approaches. In the longer term our thinking about the kinds of service required is bound to be affected by new knowledge and scientific advance. The pattern of services proposed in this White Paper provides a broad flexible framework within which there is ample scope for change and development.
Management and research

10.4 The Government's concern in sponsoring research is to improve the quality of care and the effectiveness of treatment. The achievement of this aim requires a degree of strategic direction to ensure that sufficient priority is given to the key areas in which issues of policy must be settled. The organisation of research on these lines presents problems which are by no means confined to the field of mental health. There is now a general recognition that in many areas of Government-sponsored research insufficient attention has been given to planning and the formulation of objectives. Proposals for reorganising the management of research and development were set up by the previous Government in the White Paper 'Framework for Government Research and Development' (Cmnd 5046) published in July 1972. These proposals are now being implemented and, within the Department of Health and Social Security, a new advisory machinery has been established under the direction of the Chief Scientist with responsibility for promoting a dialogue between the Department, Universities and other research establishments. At the same time a comprehensive review has started, and will be continuing, of the overall shape of the research programme sponsored by the Department in mental illness as in other fields, and of its relationship to the work of the Research Councils.

10.5 New machinery has also been established within the organisation of the Medical Research Council which provides for the collaboration of the Council and the DHSS in the constant review and support of bio-chemical research over the whole field. Under these arrangements the Department of Health and Social Security will fund bio-medical research related to their objectives, the research being organised and managed by the Council within their wider programme. Both the Council and the Department recognise the importance of research in the field of mental health.

Priorities for research concerned with services

10.6 Some provisional views have already been formed about the priorities for research in the immediate future, and the Government has invited
potential research contractors to pay particular attention to these areas. At the same time independent initiatives or new ideas coming from research workers in the field will continue to be encouraged; and the Department of Health and Social Security will continue to consider individual proposals for support.

10.7 One of the important gaps in present knowledge is a satisfactory measurement and classification of the disability caused by mental illness. Present studies suffer from the lack of common definition of the various degrees of disability. It is difficult at present to assess in any scientific way the overall impact of mental illness on people's lives, and in turn the extent and kind of services needed.

10.8 The other priority areas which have been identified are mainly concerned with particular types of service, or services needed by particular groups of people. Among these is the "new long-stay" group discussed in Chapter 4; and proposals for further study are being considered at present. Equally, experiment is needed into new approaches to the care of the 'old' long-stay to find ways of countering the danger of institutionalisation. Another priority area for research relates to mental infirmity associated with old age. It is important to identify the nature and degree of mental infirmity which is beyond the scope of residential care and warrants hospital provision. Further subjects for research are the implications for services of the increase in mental infirmity among the elderly as national longevity increases, ways of refining assessment procedures and studies into current and alternative patterns of care. Research is needed in relation to mentally ill people cared for at home by their relatives - in particular,
the kind of support and advice which relatives ought to have available. Work is also needed to identify the number of offenders and other patients requiring treatment under conditions of security.

10.9 In relation to particular types of service, the most serious gaps in present knowledge concern residential and day care services in the community. There has already been some research on the extent of need for residential and day care services and this is reflected in the guideline planning figures in Chapter 4. The background against which these services have to function is, however, changing and as these services expand it is important that they should be systematically evaluated and different approaches, for example units of different size, alternative patterns of staffing, compared. The Sociological Research Branch of the Housing Development Directorate at the Department of the Environment, who are engaged on a long-term study of the housing needs of handicapped people, are extending their investigations to examine also the housing needs of people who have been discharged from psychiatric hospitals. This study is being undertaken under the joint sponsorship of the Department of Health and Social Security and the Department of the Environment.

10.10 It has been emphasised throughout this White Paper that the treatment and care of the mentally ill involves the members of a number of different professions working closely together. They are highly skilled and trained staff and the way in which they are deployed is an important factor in making effective use of resources. Study is needed of the success of different working arrangements in a variety of settings. A further but related need is for research on the success of different forms of treatment, for example specialist psychotherapy as against physical treatment.

Worcester Development Project

10.11 The Department of Health and Social Security has sponsored the Worcester Development Project to test and evaluate
a local pattern of services of the kind envisaged in this White Paper. The Project relates to the Worcester and Kidderminster Health Districts and entails the development of a local network of health and social services in each district, and includes general hospital psychiatric departments, day hospitals, community psychiatric services, and local authority residential, day care and social work support services. Services for the elderly severely mentally infirm are also to be provided, together with improved residential and day services for the elderly.

10.12 When all these services are functioning as a whole, they are expected to replace the services at present provided by Powick Hospital for patients newly arising. One of the aims of the project is to consider how the problems of transition from a service based on a large mental illness hospital can be identified and resolved. The project is a cooperative exercise between the Department of Health and Social Security, the West Midlands Regional Health Authority, the Hereford and Worcester Area Health Authority, and the Hereford and Worcester County Council.

10.13 Several of the building elements of the project are already under construction and it is hoped that a number of the main units will come into operation in 1977.

10.14 Evaluation of the newly developing services in Worcester and Kidderminster is an integral part of the project.

Southampton project

10.15 Reference has already been made to an experiment in the care of 'new' long-stay patients at Southampton. This is part of a major research project supported by the Department of Health and Social Security to compare the operation of a district service based on a district general hospital psychiatric unit with one based on a division of a mental hospital.

/ See Appendix, paragraph 3
CHAPTER 11
PROGRESS TOWARDS THE NEW SERVICE

The backlog of present deficiencies

11.1 The Government is well aware that the pattern of services described in the preceding chapters is a far cry from that which exists today. While there are several general hospital units; probably only about half are of adequate size or offer standards of facilities for both day and in-patients capable of providing the focus of a full district service. The development of local services for the long-term care of the elderly severely mentally infirm has barely started and the elderly mentally infirm are accommodated by individual local authorities in a variety of ways, some of which are less satisfactory than others. Despite the significant improvements which have taken place over the last few years a number of the mental hospitals are still considerably overcrowded; and although a good deal of upgrading has been carried out many of the buildings are increasingly unsuitable for the accommodation of their ageing in-patient population. Returns for 1973 show in general an improvement on 1972 but a number of hospitals are still below one or more of the minimum standards for staff and amenities set by the Department of Health and Social Security in 1972: standards which are themselves only tolerable minima.

11.2 Individual local authorities are developing a wider range of day and residential services for the mentally ill, but some still have no facilities at all; and nationally the total level of provision falls far short of the guideline figures. Moreover the general pressure on the social services is very heavy. Social workers in local authority social service departments often have to carry very heavy caseloads and find they are often able to do little more than cope with emergencies and crisis situations. In these situations the more specific statutory duties - for example under the Children and Young Persons Act - inevitably in practice take priority over longer term preventive and supportive work.

11.3 The Government recognises that services have also been severely affected, not only by restraints on the financial resources available but also by fundamental organisational changes in the health and social services: by NHS and local government reorganisation; by the reorganisation of the social services following the Seebohm Report; by the transfer of hospital social workers to local authorities and by new additional legal responsibilities, such as those arising under the Chronically Sick and Disabled Persons Act.
11.4 Multi-professional teamwork, adequate assessment, consultation and arrangements for after-care, social work support are as yet sadly all too often theoretical ideals which bear scant relation to the practical realities. Inevitably patients and their families do not always receive the standard of care and support they should.

11.5 The Government is moreover aware that both staff and patients and their families have felt that central authorities had not only failed to appreciate the pressures under which the services are operating but were actively encouraging a precipitate rundown of the mental hospitals as a matter of policy; and that closures would be implemented ruthlessly leaving little or nothing in their place. We welcome this opportunity to stress that our aim is not the closure or rundown of the mental illness hospitals as such; but rather to replace them with a local and better range of facilities.

It will not normally be possible for a mental hospital to be closed until the full range of facilities described in Chapter 4 has been provided throughout its catchment area and has shown itself capable of providing for newly arising patients a comprehensive service independent of the mental hospital. Moreover, even then, it will not be possible to close the hospital until it is no longer required for the long stay patients admitted to its care before the local services came into operation.

Public sector costs of introducing the new service

11.6 The gulf between the existing service and the pattern of service advocated may be wide; but it is right in the White Paper that we should at least have a reasonably clear picture of the kind of service at which we are aiming even if it has to be accepted that progress in the next few years may be slow and that in some parts of the country in particular, it will be many years before this pattern of services can be realised in practice.

11.7 The new pattern will involve a radical change in the balance between hospital and community care inasmuch as it envisages a substantial decrease in in-patient services and a substantial increase in day hospital and out-patient treatment, and in day and residential care within the community. The implications for public sector costs have been the subject of an operational research study commissioned by the Department of Health and Social Security. An important conclusion is that the running costs, taking health and social services together, are estimated to be about the same whatever the pace of introducing the new running pattern. National Health Service A runs costs are expected to rise very slightly over the first 10 years or so and then decline, offsetting the increase in social services running costs.
11.8 Two separate elements of capital investment are involved. One is investment on the new pattern of services. The other is the cost of upgrading the mental hospitals.

Most of those that will have more than a short or medium term life will require expensive upgrading. The cost of upgrading is thus dependent on the pace of introducing the new pattern. The total national capital investment would amount to a programme of around £30m per annum on health services and £10m per annum on social services over a 20-30 year period.

Translating philosophy into action

The difficulties

11.9 It is as well to be frank about the difficulties. Financial resource constraints alone, quite apart from the physical and manpower constraints, mean that it will inevitably be a very long time before a broadly comprehensive modern service can be achieved in every district in the country and there are bound to be new developments and ideas in a time dimension of this kind.

11.10 But there is perhaps an even more fundamental difficulty. In the last resort achievement will be dependent on the community's willingness to accept an increased responsibility for those of its members who are or have been mentally ill. Public attitudes have changed in recent years and are still changing; and may no doubt be reasonably expected to become more tolerant as the development of local services brings about a better realisation of what mental illness is and how those suffering from it can best be helped.

Time is needed to prepare the way and to accustom the community to these added responsibilities. The very length of the time scale may help in this respect.

11.11 We must face the fact that the pattern we are advocating entails at least in part a transfer of responsibility to the social services and an increase in resources for this purpose.
how this is to be done is a big and difficult issue; and the likely constraints on public expenditure, particularly in the next few years, are such that hard questions of priority have to be faced.

11.12

We cannot look at the resource requirements of the mentally ill in isolation, whatever priority they are accorded. We have to look at the totality of the financial and manpower resources likely to be available for the health and social services, and at the competing demands on these resources as a whole. There is moreover the conflict which sometimes arises between national and local priorities. In individual local situations the priorities may be very different from those seen at national level.
11.13 Yet another problem in the complexity of the planning involved. The plans drawn up by the health authorities and local authorities for services for the mentally ill in each area must be joint plans. The planning of psychiatric departments in general hospitals has to be part of the wider planning not only of the hospitals themselves but of health service developments in general. Discussion on which local services can be developed first are dependent on siting and other local practical considerations. The timing has to take account of the physical condition of the existing mental hospitals; and the extent to which upgrading will be needed in these hospitals if local replacement services are not provided at an early stage. Planning must also take account of the need for various regional and area services. For example, regional security units and special units, for alcoholism, drug dependence and children.

Resource planning assumptions

11.14 A new system has been established within the Department of Health and Social Security for reviewing each year over the whole field of health and social services the prospective developments in each sector and their financial and manpower resource implications. These reviews are intended to help reach decisions on priorities over the following 10 years, and on objectives which are consistent with the best assumptions we can make about the total resources likely to be available over the period.

11.15 The first of these Departmental reviews is under way; and when completed should enable provisional guidelines on priorities and objectives to be drawn up for consultation with NHS and local authorities. So far as services for the mentally ill are concerned, the running costs, taking health and social services together, seem unlikely to vary significantly within any likely pace of introducing the new pattern of community care. Faced as we are with the prospect of very little room for development of the health and personal social services over the next three or four years except by making better use of existing resources, it would be unrealistic to expect any substantial increase in this initial period, in the scale of capital investment. But on the assumption that there will be a modest growth in real terms in the amounts available for the health and personal social services after that, and bearing in mind that for services for the mentally ill only a very slight rise in running costs as a whole is entailed, it seems reasonable to assume that it may then be possible to provide for the necessary capital investment on the scale envisaged in paragraph 11.8.

Joint health and local authority planning

11.16 Joint planning of health and local authority services is essential
The fact therefore that the planning system referred to in paragraph 11.14 above will provide national guidelines for health and local authority services which are based on realistic resource assumptions makes it particularly relevant. The national guidelines will need to be translated into individual regional and area guidelines (including resource assumptions); and it will be a high priority task for area health authorities and local authorities to produce joint plans for the development of services for the mentally ill on the basis of these assumptions. The medium for joint planning in each Area will be the Joint Consultative Committee which both authorities have been required by the NHS Reorganisation Act to establish for purposes such as this.

11.17 These joint plans will form part of the plans produced for the development of health and personal social services generally. For the National Health Service these will be of two kinds; strategic plans examining and setting out the realistic prospects of developing services in the next ten years and annual plans detailing the action proposed to implement these strategies and priorities in the next three years. There will be a regular process of reviewing these plans and updating them in the light of progress achieved. They will need, among other things, to identify which mental illness hospitals are likely to have a relatively short life, which are likely to reduce their scale of services and which are likely to have a continuing major role beyond ten years. It is proposed that a similar planning process should be followed for the personal social services; the results of joint planning of services for the mentally ill will thus be reflected consistently and in parallel in local authority as well as NHS plans. (Discussion about local authority planning on this basis will be pursued with the local authority associations.) The aim for the initial plans from both sets of authorities to be ready by the end of 1976 so that it would be possible to extract from them a national picture of planned development of services for the mentally ill and publish it in an appropriate form during 1977.

11.18 There will be many considerations to be borne in mind. Psychiatric units in general hospitals often have to form part of a wider development and there may well be little room for manoeuvre in the timing of their provision. Local authorities will need to understand this, and to plan to give particular priority to providing supporting social services in those parts of their areas where such units are coming into operation at an early date. Conversely, health authorities must appreciate that a general hospital psychiatric unit cannot function...
efficiently in isolation; it can only function properly as part of a whole network of local services, of which social services residential, day care and domiciliary support are essential elements. Lack of such services might mean, for example, that the day hospital facilities in the psychiatric unit cannot be fully used because patients have not got a sufficiently supportive home environment to return to at night, and as a result patients in the unit might have to remain as in-patients for longer periods than is necessary on medical and nursing grounds.

11.19 Another important factor is the timing of local provision of services for severely the elderly/mentally infirm. These will need to be provided in parallel with, if not ahead of, the general hospital psychiatric unit. Failing this the staff at the mental hospital will be left to care for patients who make heavy demands on nursing staff, often in unsatisfactory physical conditions. If such a situation is allowed to arise it will inevitably be damaging to morale and staff recruitment.

Regional strategies

11.20 A further element of complexity is that the various Area plans will often be interdependent and the development of regional strategies is essential. This is partly because some services overlap Areas; partly because it will be necessary to consider what plans should be made for patients needing continuing care when numbers in a mental hospital are reduced to the point at which the hospital becomes no longer viable; and partly because some services, for example, regional security units, are regional in nature.

11.21 Throughout the whole planning process, health authorities will need to have related particular regard to the implications for the mental hospitals of the developments of local services in each district. This aspect of the planning and management of services is of fundamental importance, both to the successful introduction of new patterns of care and to the maintenance and improvement of standards at the mental hospitals themselves. Because of the importance attached to this, a separate Appendix has been included in which some of the problems of the transitional period are discussed in more detail.

Staff involvement

11.22 In formulating the joint area plans and in developing
the regional strategies, the staff of the mental hospitals and those in the developing local services should be kept fully in the picture. Some of the more senior officers will, of course, have an opportunity to contribute to the planning, through the medium of health care planning teams and in groups servicing the Joint Consultative Committees, but it will be necessary to arrange meetings and seminars, so that all the staff representatives and indeed as many as possible of the staff themselves have a first hand opportunity to learn what is proposed and to ask questions. Area Joint Staff Consultative Committees, or their equivalents, and similar bodies at District, Sector or Unit as appropriate, will be the channel for formal consultation with staff representatives as a body. Staff will be particularly concerned with arrangements for transfer between the mental hospital 'division' and the developing local district services, the protection of their various interests and with the timing of all proposed changes.
Some mental hospitals will continue in use for many years. However, because the buildings remain this does not mean that the pattern of service based on them need remain the same. One has only to consider the pattern of care for which the hospitals were originally designed and the kind of service which they now provide to appreciate the possibility of further far-reaching changes. Moreover, the policies set out in this White Paper go much wider than the provision of buildings; improvements in staffing levels and the introduction of new patterns of co-ordination and integration will also benefit those services which are based on mental hospitals. Indeed it is essential that they should: it is in the mental hospitals that most patients will in practice continue to receive specialist treatment for many years. Moreover, so long as these hospitals form part of the district service, it is important that doctors and nurses should continue to receive part of their training in them.

We must ensure that the organisation of the services of the mental hospitals is integrated with that of the newly developing local facilities, and that the staff in the mental hospitals participate in the planning and development of these new facilities.

Much has been written by the Hospital Advisory Service and by others about the dangers during the transitional period of creating a two-tier service with the general hospital unit providing a first class service limited to selected patients who respond most readily to treatment, and the mental hospital left as the place to which the less attractive types of patients can be passed on. A two-tier system does, sadly, already exist within a number of mental illness hospitals themselves, in the admission wards on the one hand and the long stay wards on the other. In each situation the service provided will ultimately depend partly on operational policies and the deployment of resources and partly on the attitude of individual members of staff to their work. The Government's concern is that the management and organisational arrangements should be such as to promote an integrated service.

With this in mind Health Authorities have been asked to split the mental illness hospitals which serve more than one district into organisational units referred to as "divisions" each representing that part of the hospital which serves a health district in the hospital's catchment area.
Wherever possible, the wards making up a 'division' should be in the same part of the hospital. Each division should have its own consultant and nursing staff and be responsible for providing a service to its health district. On average such a 'division' might have initially a total of some 400 or so beds and be served by 3 or 4 consultant-led teams. This organisational arrangement takes a step towards giving a local identity to the service and encouraging a sense of allegiance on the part of the staff of the division towards their health district.

Whether or not the 'division' should be further subdivided so that individual therapeutic teams are each responsible for their own geographical sector of the district is something to be decided locally in the light of the characteristics of the individual district. (See also paragraph 3.14).

As the local district psychiatric facilities develop they should be integrated organisationally with the corresponding division at the mental hospital so that, for example, there is joint medical and nurse staffing of the division and the new district facilities. Some of the nurses who hitherto have provided a service to the district from the mental hospital 'division' may be redeployed to help provide the district service from the general hospital unit or community hospital. In this way it is hoped that staff will increasingly think of their responsibilities in terms of a district service which, wherever it is provided, whether from a mental hospital 'division', a general hospital psychiatric unit, a community hospital, or in domiciliary and supportive work in the community itself, is all part of the same district service.

The District Management Team for each health district has responsibility for the formulation of policies for the development of services for its population. It will therefore be concerned not only with the provision and development of psychiatric services locally but also with the operational policies and standards of service of the relevant mental hospital 'division'.

CONFIDENTIAL
This has particularly important implications for the deployment of nursing staff, and the aim must be to move towards a position in which each district has a divisional nursing officer responsible for the whole range of psychiatric nursing services so that needs can be properly represented at the appropriate level of decision taking.

7. In carrying out its work the District Management Team will usually have the advice of a Health Care Planning Team for mental illness services which includes members of the staff based at the mental hospital 'division', and members of the staff in the developing local services. It will have an important role in alerting the District Management Team to any imbalance of resources in different parts of the district service.

8. Community Health Councils are concerned with the provision of health services generally for their community. The statutory duties of a Community Health Council relate to services within its district but it is important that the Council should look at the provision of mental illness services as a whole for each district, including the services provided by a hospital 'division' from outside the district. There will therefore need to be suitable arrangements between different Community Health Councils (and if necessary consultation with Area Health Authorities or their officers) to enable a Council to visit a hospital outside its own district and to comment to its own District Management Team on the services provided there for its district. The District Management Team will need to ensure that these comments are made known to those responsible for the management of the hospital as a whole.

It is important that the policies for the different 'divisions' of a mental hospital should be co-ordinated. Such co-ordination is the responsibility of the Area Health Authority. The Authority is also responsible for the development of operational policies for services common to all 'divisions' such as domestic and catering facilities. On the basis of the co-ordinated policies responsibility for the day to day management of the hospital as a whole will have been delegated to an Area Team of Officers or one of the District Management Teams.

10. Plans for the development of local district facilities will need to be viewed in the light of their implications for the related mental illness hospitals. Some mental hospitals (or 'divisions' within them) will by virtue of their location in relation to their catchment population, and perhaps
also their physical condition, be less able to make an effective contribution to a local district service than others; and authorities in drawing up the joint plans referred to in Chapter 11 (paras 11.16-11.19) will need to concentrate initially on the replacement of those hospitals (or 'divisions') whose physical conditions and geographical location are likely to provide the greatest handicap. Within individual hospitals there may also be advantage from the point of view of the hospital as a whole in phasing the introduction of general hospital units in the various districts served by it, so that at least one 'division' continues to provide an active admission service until the hospital is nearing the end of its life.

11. Where it is clear that hospitals or individual 'divisions' are not among those selected for early replacement, the health authorities concerned must carry out a realistic assessment of the way the existing facilities can best be used. Such studies will need to be carried out in conjunction with local authority and primary care staff, the advice of the Health Care Planning Teams playing an important role in overcoming problems of location in relation to individual districts. It may, for example, be possible for health centre or local authority accommodation to be used as a base for community psychiatric nursing services; local authority social services departments may be able to play a more significant role in the management and staffing of those hospital wards which accommodate long-stay patients who would be living in the community were suitable facilities available for them. Alternatively there may on occasion be health service accommodation which can be made available to local authorities or voluntary organisations for use as a day centre or a residential unit for these patients. Not least an attempt should be made to develop links between psychiatric services and the general hospital services, if only by providing accommodation at the general hospital from which a psychiatric consultation service can be offered to other departments at the hospital.

12. Maintaining the physical structure and improving standards of decoration, toilet and other facilities at the mental illness hospitals is essential if morale of the staff is to be maintained and the burden of nursing an increasingly ageing in-patient population to be eased. An important by-product of a long-term strategy for services for the mentally ill is the development of an upgrading plan in which the scale and type of upgrading needed in each hospital is assessed in the light of the anticipated timing of development of replacement services in the districts it serves and the resultant effect on the number and types of patients likely to be resident in the mental hospital during the various phases of its life. This upgrading plan is needed to ensure that limited resources are spent at the right time and on those parts of the hospital which are expected to have the longest life.
13. If the transitional period is to be accepted by the mental hospitals as a challenge in the positive sense, they must be given an adequate share of manpower and other resources with which to meet it. The management arrangements outlined above will provide a framework within which those responsible for local management will have every opportunity to deploy resources flexibly between the old and new parts of the service. The Government will also be considering the need to give further guidance on minimum standards of staffing, food, clothing, space, personal amenities etc in the mental hospitals.

14. It should not be forgotten that it is the staff of the mental hospitals who have been the pioneers of the last quarter century; they may well prove to be the pioneers of the next, providing they are given the resources and opportunity to participate in new developments, particularly in experiments and research into better ways of providing care and treatment in the context of a local service. Some of the problems identified elsewhere in this Command Paper as requiring further research could well be studied in the mental hospitals. For example, the mental hospitals have in particular developed a wealth of valuable experience in caring for longer stay patients. They should be encouraged, in conjunction with local authority social services departments, to use this experience both to develop new approaches to the rehabilitation of existing and often institutionalised long-stay patients, and to experiment in alternative forms of hospital care for newly arising long-stay patients.

* Indeed in a number of areas the mental hospitals will continue to be the focal point for certain aspects of research for many years to come.
CABINET

THE MOTORCYCLE INDUSTRY

Memorandum by the Secretary of State for Industry

1. The Ministerial Committee on Industrial Development (IDV) agreed last Wednesday that I should discuss with management and workers' representatives the report from Consultants on possible strategies for the motorcycle industry in this country; and because of the need for this consultation IDV did not reach final conclusions. My discussions have not in any way thrown doubt on the general lines of the Consultants' report; but they demonstrated again that if we provide no further support the various parties will join together in levelling powerful and damaging criticisms against our handling of their industry.

2. The Consultants were asked not to make a specific recommendation; but instead to assess possible strategies. After a full examination of possible lines they settled on three as the best and the figures for these are summarised on page xix (Annex A) of their own summary of their report, which has already been circulated to members of the Cabinet. Their cost in Government funds ranges from a minimum of at least £15 million to over £50 million with employment between about half the present 3,000 on motorcycle production in the former "low" case to about the same as at present but with greater productivity in the latter "high" case. The cost in further Government funds would thus be high for the jobs provided and there are very considerable risks that any of these strategies would fail in the face of overwhelming (largely Japanese) competition. The report brings out powerfully the way in which our industry has withdrawn "up market" to the largest "super" bikes (750 cc and above capacity) in response to mounting Japanese competition; the overwhelming advantages of the Japanese in scale - Honda alone making over 2 million bikes a year against Norton Villiers Triumph's (NVT's) 30,000; and the technological and commercial strengths of the Japanese companies which enable them to continue their expansion with new models whilst earning profits and paying substantially higher wages than NVT.
3. This year NVT sales in North America have slumped drastically and stocks financed under Government guarantee have absorbed nearly all the special Industry Act support agreed in March; and would in any event make cut-backs in production necessary straight after the works holiday in two weeks' time. Such a rundown of NVT's factories in Birmingham and Wolverhampton arises directly because of the collapse of the United States sales and has nothing to do with the setting up of the Meriden Co-operative. The Japanese with recent models - ours are at least seven years old - have more or less kept up their sales.

4. The Co-operative has shown it can produce machines more efficiently than the factory did before but has so far not supplied any bikes for the North American market. Their bike, the Triumph Bonneville, is a pre-war design and a new model would be needed if the Co-operative is to have any prospect of long-term survival. They do not at present have the design expertise; the name is owned by NVT who are responsible for their marketing; and the Co-operative lacks other managerial and marketing expertise.

5. Both workers and management will argue that they have been misled and accuse the Government of bad faith. Annexes B-D contain the relevant correspondence. The reference in Annex B to our being "fully committed to securing the future of the motorcycle industry; and of course this involves the success of NVT no less than the Co-operative" creates the most difficulty. In pursuance of these undertakings we moved the Order on 6 March to authorise an £8 million export guarantee for NVT under the Industry Act. With this £8 million and the £4.9 million approved by the last Administration total assistance to NVT amounts to £12.9 million; whilst for the Co-operative together the £4.95 million finance and the present offer of £6 million Export Credits Guarantee Department cover mean we have made available nearly £11 million in total.

6. If we tell the industry that no further support will be provided NVT will proceed to issue redundancy notices to their workforce; and may well close down their factories over the next three months. The reaction is likely to be explosive, and could spread to sit-ins and possibly to picketing of Meriden; and apart from the industry itself I have received powerful representations from the local Members of Parliament and from the local authorities and organisations. Formally the Co-operative would not be affected at once; but even if their operations are not disrupted by hostile reaction from the NVT workforce, the ability of NVT to market Meriden bikes in North America would be in doubt. Any special help for the Co-operative would produce an even more hostile reaction from the NVT workforce.

7. All the options put forward by the Consultants depend heavily on urgent steps being taken to remedy present weaknesses in the industry; these include the provision of new and able management; completing
extensive design and development work in a short period; and the installation of new plant and rationalisation of production between the three works (including Meriden) to bring substantial increases of productivity. The returns and benefits would be small even if everything turned out right; the Consultants point out that with the "high volume" option there would be a cumulative deficit in cash flow of at least £51 million in 1979 and the Industry would not recover to a zero cumulative cash flow until the late 1980s even if the major risks can be overcome. The medium volume alternative would show smaller deficits in cash flow but would not achieve a zero cumulative cash flow till the early 1990s. And for the low volume alternative this position would not be recovered for more than 25 years.

On top of this it was the view of the recently reconstituted Industrial Development Advisory Board that the estimated cost of the various strategies did not fully quantify some of the risks or contain any contingencies to cover uncertainties in the scale of interim finance stocks nor long-term investment; and their advice was that none of the options in the report held out any prospect of viability.

8. So we have a stark choice. On the one hand there are powerful financial and economic arguments for refusing further Government support. On the other there are very strong social and political arguments and the likelihood that we shall be bitterly accused of misleading and mishandling our relations with this industry. At the meeting which the Chief Secretary, Treasury, and I had with representatives of the Confederation of Shipbuilding and Engineering Unions and the NVT workers on 24 July, they made it abundantly clear that they relied on the assurances that they considered had been given, that these promises should be discharged by Government support for the high volume option and that there was a grave danger of industrial disruption if redundancies or short-term working was introduced at NVT. Indeed with the likely strength of the reaction in the Midlands and from our own supporters I should not be surprised if the Opposition, who are fully aware of the exchanges that have taken place since March 1974 between the Government, NVT and the workers, and who are in possession of the relevant correspondence, may make this the occasion for a major attack on our industrial policies. We shall need to stand firm against this; and it is important that if my colleagues have any feelings that we should seek to inject further public funds on a considerable scale into the motorcycle industry we should do so now. Once I have made an announcement that we are not providing further funds, if this is the decision of the Cabinet, I consider there can be no turning back. I shall wish to make it clear in my statement that this is a collective decision in which every member of the Cabinet is involved. If NVT went into receivership and Government could assist in establishing viability for a very much smaller remnant of this concern or possibly to help the Co-operative, we need not rule out making available any appropriate sums needed under the provisions of the Industry Act, although the basic difficulty of establishing a viable enterprise would remain.
9. Accordingly I seek my colleagues' agreement that:

a. No further Government funds should be made available to the industry on the basis of present plans.

b. I should inform Parliament in a statement as soon as possible.

c. In support of this statement I should make available to the Vote Office copies of the full report from Consultants (with sensitive and confidential information deleted).

E J V

Department of Industry
25 July 1975
## Comparative Summary of the Strategy Alternatives

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Note: This Table should be read in conjunction with the notes overleaf.
I was very grateful for the frank exchange of views that we had today, which I hope will have dispersed the unfortunate misunderstanding that occurred last Friday.

You and your delegation presented very clearly and fully the anxieties felt by your fellow workers at Small Heath, and I recognise the strength of your wish for assurances about the future. You will appreciate, however, that I am not today in a position to give you firm undertakings about possible investment on the basis of the long-term plan just presented by the management of NVT.

I can, however, give you my firmest assurance that there will be no discrimination by the Government in favour of the Co-operative to the detriment of the Small Heath or Wolverhampton works. The Government is fully committed to securing the future of the motor cycle industry in this country, and of course this involves the success of NVT no less than the Co-operative. Moreover, I can further assure you that I shall make every effort to see that the new plans suggested by NVT are examined urgently.

I am looking forward to visiting you on Friday, and I hope that you will accept what I say as the furthest that I can go at present in earnest of the sincere concern that I feel for the future interests of the workers whom you represent.

I am sending a copy of this letter to Mr Everett.

A W BENN
The Confederation urges the Government to investigate fully the desirability to take the British Motor Cycle industry into Public ownership.

In view of the urgency of this matter and the time which will be involved in considering the above proposal the following interim actions should take place,

1) That Government finance should be made available to create a holding situation,

2) The present workforce of NVT should be given the assurances of job security and job prospects, repeatedly asked for by their representatives,

3) The Government should make immediate appointments to the NVT board,

4) The workers co-operative at Meriden should be encompassed within the holding situation and final proposals on the public ownership of the Motor Cycle industry.
31 December 1974

Bob Wright
CSEU
140 Walworth Road
LONDON SE17

I am writing as I promised to record the points made at our meeting on 20 December and my comments on the Statement agreed unanimously at the meeting which you held between the workers at the Meriden, Small Heath and Wolverhampton factories on 16 December, which you handed to me at our meeting.

First may I express my thanks to you and to Jack Service and Tom Crispin for all the efforts you have made to work out a solution to the difficult problems which face us in this industry. You emphasised the importance of getting production at Meriden re-started as soon as possible so as to resume the supply of urgently needed spare parts and to begin to produce motor cycles in time for the American market. I entirely agree with you on this. For the longer term you stressed the need for a large cash injection for the motor cycle industry to enable new models to be developed and introduced within the next two years and that this should be achieved by the Government taking an equity stake in the industry and appointing directors commensurate with the cash provided. As I explained to you, I am not at present in a position to give assurances on those points but I am prepared to ask NRDC to look sympathetically at any proposals coming forward from NVT and from Meriden for assistance in developing new designs of motor cycles subject, of course, to NRDC's own policies and statutory duties.

You also told me of the absolute conviction by shop stewards at all three plants that once a satisfactory solution had been agreed there must be a determined drive to increase production and thereby meet the market. The stewards had accepted that the three plants were not competitive with each other but that their activities were complementary. The Meriden stewards had also given an assurance that they would not press the interests of the Co-operative against those of Small Heath and Wolverhampton and that after two years the Meriden stewards would be prepared to accept a "veto" if the workers at Small
Heath and Wolverhampton decided that their interests were being harmed by the continued operation of the Co-operative. I welcomed these decisions as helpful and constructive.

Regarding the four points made in the Statement, I re-affirmed that the offers already made to the Co-operative of £4.95m of assistance subject to certain conditions, much of which would be used to buy the Meriden factory from NVT, and to NVT of up to £8m of export credit guarantees subject to the approval of the House of Commons, remained open. Those offers represent the limit of the approvals I already have and to seek to go beyond them would introduce serious further delay and could put the present offers at risk.

On the second point I emphasised that I could not say that all jobs in the three plants would be maintained and that the Co-operative has not had a guarantee of this kind. I did, however, give an assurance that in the matter of job security there would be no discrimination in favour of any one plant as against the other two.

The third point concerned the appointment of Directors to the NVT Board. I have the power to nominate a Director to that Board which I am prepared to exercise as soon as a suitable candidate can be found. I invited the CSEU to let me have their views on possible candidates.

The fourth point does not call for immediate action but I said the views expressed were acceptable to me in principle.

Finally, in discussion on the recommendation as to the longer term future of the industry in the first paragraph of the statement, I said that I was ready to consider urgently and seriously any proposals for a British motor cycle operation embracing the three plants, together with any application for support submitted in the normal way within the terms of the Industry Act 1972. That Act does not empower me to take NVT and Meriden into public ownership though if and when Parliament has enacted the new industrial legislation forecast in the White Paper on the Regeneration of British Industry such powers would exist to enable me to do so by agreement. If such a request were made by NVT, the Co-operative and the trade unions concerned, I would be ready to consider it urgently.

I am copying this letter to Jack Service and Tom Crispin, and also to Dennis Poore so that he may know my views on the proposals put forward by the CSEU.

A W BENN
Cabinet

Public Expenditure: Resources, Taxation and the Public Sector Borrowing Requirement

Note by the Chancellor of the Exchequer

In the light of our earlier discussions on public expenditure I thought my colleagues might find the attached material useful.

D W H

Treasury Chambers

31 July 1975
PUBLIC EXPENDITURE: RESOURCES, TAXATION AND THE PSBR

There are three main ways of considering the claims of public expenditure and of the public sector on the economy.

The Public Sector's Direct Use of Resources

2. Our medium-term assessments of resource use over a future period of years always first set aside the estimated requirements of the "prior claims" - i.e. the balance of payments and productive investment. The reason is that unless adequate resources are available for these purposes, the growth and balance of the economy will be prejudiced and so therefore will be the achievement of all other objectives. The nationalised industries also use resources directly, but in the assessments their claims are normally included with the rest of private sector investment since most of it is required to build up the productive infra-structure of the economy.

3. Next comes the division between the direct use of resources by the public sector and their use to meet the claims of personal consumption. The Central Government and the local authorities use resources directly for investment and consumption in the public services: to build roads, hospitals, schools etc; to equip them with the necessary plant and supplies; and to recruit the manpower to run them. Public expenditure devoted to the direct use of resources in this way amounts to about 54% of the total (1974/75). It is obvious that if the public services use manpower, capital equipment or supplies, those resources are not available either to meet the prior claims or the requirements of personal spending. The manpower claims of the public sector have in fact been growing very substantially in past years (see table attached to the Annex); and when it is suggested that this growth must be checked, by reducing public programmes, the intention is that more real resources should be made available for other sectors of the economy. This requires movement into exports, investment or production for personal consumption. What we are concerned with for this purpose is restraint or reduction of direct public purchase of goods and services for investment or consumption;
that is, mainly construction in the case of investment, and manpower and supplies in the case of consumption. The great bulk of this expenditure is incurred on defence, roads, and - by far the greatest part - on programmes like health and education which contribute to the "social wage".

4. The rest of the resources becoming available in the economy is available for personal consumption in one form or another. The growth of this total shows what share individual persons will have of the total resources left over after the prior claims and the direct demands of the public services have been met.

Public Expenditure on Use of Resources plus Publicly-financed Personal Consumption

5. Resources for personal consumption will be purchased in part from the net-of-tax earnings of individuals; and in part from various forms of social security and other transfers. In considering the total amounts spent by the public sector the transfer payments which give rise to the latter claims have to be added in. It should be noted that at this point we have moved from considering the way in which real resources are distributed among different uses in the economy to considering public spending. Thus this total of public expenditure includes the cost of all transfers: grants of cash both to industry in the various forms of assistance, and to individuals through social security and other payments. The cost to the Government or other public authorities of subsidies to consumption are also included. Such subsidies reduce the cost of particular goods or services - electricity, council rents, subsidised food - and thus leave more available from pay packets for other spending. In arriving at this particular total we are therefore splitting off the publicly-financed part of personal consumption and adding it to public expenditure on use of resources.

6. Transfer payments which take the form of assistance to industry add indirectly to the demand on resources to the extent that they stimulate additional expenditure on investment or other company activity. These effects have to be taken into account in assessing the implications of such expenditure for the balance of the economy.
7. The main macro-economic significance of these public expenditure totals is the implication for taxation. The extent to which taxation will have to be adjusted to keep the economy in balance with different levels and distribution of public expenditure varies with the consequential demand effects. Transfer payments vary substantially in this respect, but the large proportion represented by pensions and other benefits do have large demand effects so that improvements and upratings require substantial additional taxation if balance is to be maintained. It is true that in widely varying degrees some transfer payments benefit the same people who have to pay the increased taxes; and a large part of the population benefits from cheaper food or energy through subsidies similarly paid for, although there are redistributational effects. But there may still be reluctance to accept the additional taxation, particularly with the marginal rates now ruling, and action to offset its effects, notably by higher wage demands or lower saving, becomes a real and serious risk. The question here is how much of their income people will allow the Government to spend for them and on them rather than deciding for themselves how to spend it.

8. The major and crucial judgement required here is the extent to which people as a whole are prepared to accept additional taxation to pay for additional public spending, whether on the direct provision of community services, or on benefits and assistance to persons or to industry. The bulk of the personal transfers consist of the following:

- Food subsidies
- Price support subsidies to nationalised industries
- Housing subsidies
- Social security

Price support subsidies to nationalised industries are dependent on future price levels

Housing subsidies are dependent on future rent levels and interest rates

Social security is dependent on number of eligible claimants (who are increasing) and decisions on coverage and rate of improvement of benefits.
9. In the last two years it has been possible to allow public expenditure to increase substantially without matching increases in taxation, partly because we have been prepared to run a large deficit on the balance of payments, and partly because of high saving and low investment expenditure by the private sector. However, as the external deficit is eliminated, private saving returns to more normal levels, and investment recovers, there will be an increasing probability that higher taxes will be needed to balance the economy, even if public expenditure were to remain constant. *A fortiori* taxation would have to be raised if public expenditure were to continue to increase.

The Public Sector Borrowing Requirement

10. Meanwhile, the high level of public expenditure is reflected in the enormous public sector borrowing requirement (PSBR). The PSBR is essentially a simple concept. It is the difference between the public sector's cash outgoings in any period for all purposes and the receipts from taxation and other public sector revenues in the same period. The payments therefore include all the items mentioned above - direct purchases of manpower and other resources; transfers of all kinds to the private sector; the net cash requirements of the nationalised industries for all purposes; and - a form of expenditure not so far discussed - acquisition of existing assets, such as land or company securities (representing real assets taken over, for example, on nationalisation) for payment in cash.

11. A large PSBR poses severe problems for monetary management. Broadly speaking unless we can finance much of the borrowing requirement at home by selling gilt-edged and other government securities to the public, we have to borrow more from the banks and so increase the money supply. Apart from the adverse effect on the external financing problem, this may threaten domestic demand management and counter-inflation policy. The extent to which it is possible to sell debt to the non-bank public depends on confidence - which is itself strongly affected by the size of the PSBR - and the level and expected trend of interest rates. It may be possible to increase
the amount of debt we sell by raising interest rates, but this would have unfortunate consequences for some of our other objectives, particularly in relation to housing and industry. The problems are much the same if private companies are acquired in the first place by the issue of government stock rather than cash, because this will displace sales of other public sector debt and thus add to the problem of financing the PSBR.

12. In sum, because of the difficulties of financing the borrowing requirement and the problems of monetary management, even public expenditure which has no significant demand effect may need to be restrained.

13. It has hitherto been possible to finance the current very large borrowing requirement without adverse consequences for the money supply for reasons similar to those which have allowed us to raise public expenditure without matching increases in taxation, such as the high level of savings, the low investment in the private sector and the size of the external deficit. It is probable that the first situation will change within the next year or so, and it is to be hoped that with rising activity in the economy the private sector's demand for funds for investment will grow substantially. It will also be an object of policy that the external deficit should be reduced. Severe restraint for public expenditure is thus essential not only in relation to resource planning and taxation but also with reference to monetary management.

14. With reference to the present public expenditure programmes the three alternative approaches discussed in this note raise the following points. The public sector's direct use of resources is estimated to grow 1974-79 at between 1% and 2 per cent per annum. This leaves only just over 1 per cent per annum for total personal consumption (privately-financed consumption plus transfers). If consumers are not content to be restricted to such a low rate of growth but the public sector insists on maintaining its claims, the balance of trade and/or investment - ie, the 'prior claims' - will suffer as they have done so often in the past. Reducing the public sector's direct claims on resources may thus be an essential
prerequisite for sufficient resources being available for the balance of trade and investment.

15. When transfers are added to the public sector's direct use of resources (see para. 5 above) the resulting total grows at just under 2 per cent 1974-79, and privately-financed consumption - resources available for people to buy out of their own incomes - grows at between ½ and 1 per cent per annum, ie, even less than total personal consumption. The consequences come through on the tax side; on the assumption that income tax allowances are up-rated in line with prices, and that indirect taxes are, where necessary, similarly raised with inflation, the increase in income tax rates might be 9-11 pence. The basic rate of income tax, which is now paid by people with quite modest earnings, would thus be 44-46 pence; taking account of graduated national insurance contributions, this implies a State-take of the order of 50 pence on every pound earned by the broad mass of wage earners once their tax allowances are exhausted.

16. When we are considering the borrowing requirement it is the "cash total" of public expenditure, without regard to demand effects etc, which matters. As explained above, the borrowing requirement is likely to continue to present serious problems for some years to come, and this emphasises the importance of containing the total growth of public expenditure in "cash terms" also, including acquisitions.
The problem of the extent to which manpower is being drawn into the public services is brought out in the attached table. The table shows, in millions of members of the labour force, the total increments in successive periods since 1951 to 1981, and the gains and losses in the four main sectors of the economy, manufacturing, private services, public corporations and public services. The most striking features of the table are that -

a) From 1966 onwards it is only in services that manpower is shown as increasing.

b) Between 1966 and 1973 the total labour force actually declined by 0.1 million, while employment in the public services increased by 0.8 million.

c) Between 1971 and 1981, on forecasts published by the Department of Employment, the total labour force would increase by 1.1 million, but the whole of this and a little more - 1.2 million in all - would find their way into the public services.
## Working Labour Force

<table>
<thead>
<tr>
<th></th>
<th>Changes in period</th>
<th>1971-1981 Forecast</th>
<th>1973 Levels</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>+0.9</td>
<td>+1.4</td>
<td>-0.7</td>
<td>+0.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>+0.4</td>
<td>+0.2</td>
<td>-0.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Private services etc</td>
<td>+0.5</td>
<td>+1.1</td>
<td>-0.6</td>
<td>+0.6</td>
</tr>
<tr>
<td>Public corporations</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>Public services</td>
<td>+0.1</td>
<td>+0.4</td>
<td>+0.5</td>
<td>+0.3</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration &amp; forces</td>
<td>-0.4</td>
<td>0.0</td>
<td>+0.1</td>
<td>+0.1</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including private</td>
<td>+0.4</td>
<td>+0.2</td>
<td>+0.3</td>
<td>+0.1</td>
</tr>
<tr>
<td>Health</td>
<td>+0.1</td>
<td>+0.1</td>
<td>+0.1</td>
<td>+0.1</td>
</tr>
</tbody>
</table>

Based on census of population: includes self-employed. Agreed with Department of Employment 28/7/75

CONFIDENTIAL
CABINET

RESOURCE ALLOCATION AND PUBLIC EXPENDITURE 1974-79:
SIZE OF PUBLIC SECTOR AND NON-INDUSTRIAL EMPLOYMENT

Memorandum by the Secretary of State for the Environment

1. I have had two tables prepared, which may be of interest to my colleagues.

2. It is often said that public expenditure in Britain is exceptionally high. But the figures given in support of this include money spent on the purchase of income-bearing assets. If we take the current expenditure of Government as a percentage of gross national product (GNP), we derive the following results from Organisation for Economic Co-operation and Development (OECD) sources.

TABLE I

GENERAL GOVERNMENT\(^{(a)}\) CURRENT EXPENDITURE AS % OF GNP
AT MARKET PRICES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(estimated)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>28.5</td>
<td>28.9</td>
<td>30.1</td>
<td>32.8</td>
<td>33</td>
</tr>
<tr>
<td>France</td>
<td>29.9</td>
<td>30.2</td>
<td>32.9</td>
<td>33.5</td>
<td>(35)</td>
</tr>
<tr>
<td>Germany</td>
<td>27.0</td>
<td>26.3</td>
<td>30.7</td>
<td>32.0</td>
<td>33</td>
</tr>
<tr>
<td>Sweden</td>
<td>26.0</td>
<td>28.6</td>
<td>31.8</td>
<td>37.4</td>
<td>(40)</td>
</tr>
<tr>
<td>USA</td>
<td>22.4</td>
<td>24.9</td>
<td>25.1</td>
<td>28.9</td>
<td>30</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Central and Local Government combined, excluding nationalised industries, but including social security funds.

\(^{(b)}\) No OECD comparisons available after 1969, because of the hiatus caused by the switchover to the new system of National Accounts.
3. United Kingdom current public expenditure in 1973 was similar as a proportion of gross domestic product (GDP) to France and Germany, much less than Sweden, much more than the USA - a pattern that has persisted over a long period. Comparisons for 1974 are not available; but the United Kingdom share could have been as much as 5 points higher.

4. Other interesting points are:

i. Excluding subsidies, transfers in the United Kingdom formed a small proportion of total current expenditure as compared with all Continental countries (but not the USA). Current use of resources by Government therefore took a higher share than in France or Germany.

ii. United Kingdom current grants were again a small proportion of household income as against Continental Europe (except Switzerland), but not USA or Japan.

iii. United Kingdom showed up badly in social expenditure as defined by European Economic Community (EEC) (social services, health and social security, but excluding education and housing) against all EEC countries except Ireland. This is partly due to the greater extension of private pensions in the United Kingdom (and to the lower relative pay of doctors).

iv. A more detailed comparison with Germany shows that the high United Kingdom deficiency in social security is a little offset by housing. But the United Kingdom spends more on defence and other public services outside the social field.

II

5. It is also often said that the proportion of non-industrial employment in Britain has grown exceptionally fast. But if we define productive employment as including agriculture as well as industry we get the following results (from International Labour Organisation sources).

TABLE II

GROWTH IN 1962-73 IN THE PROPORTION OF NON-INDUSTRIAL EMPLOYMENT TO:

<table>
<thead>
<tr>
<th></th>
<th>Industrial Employment</th>
<th>Agricultural Plus Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3%</td>
<td>50%</td>
</tr>
<tr>
<td>Italy</td>
<td>11%</td>
<td>39%</td>
</tr>
<tr>
<td>W. Germany (1972)</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>France</td>
<td>24%</td>
<td>44%</td>
</tr>
<tr>
<td>USA</td>
<td>24%</td>
<td>35%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Department of the Environment

31 July 1975
CABINET

PUBLIC EXPENDITURE

Note by the Secretary of the Cabinet

1. Two notes are being circulated today as additional background for the discussion on 4 August of C(75) 82. They are:

   i. A note by the Secretary of State for the Environment on the size of the public sector and on the growth of non-industrial employment (C(75) 88).

   ii. A note by the Chancellor of the Exchequer on the relationships between the public sector's use of resources, taxation, and the public sector borrowing requirement (C(75) 87).

2. I should perhaps explain that, although both the seven days' notice for which Ministers asked on public expenditure papers, and the normal 48 hour deadline for the circulation of papers for the meeting on 4 August have passed, I considered it would nevertheless be more helpful to Ministers on this occasion to breach rather than to enforce the rules and to circulate the essentially factual material in these papers for their information.

Signed JOHN HUNT

Cabinet Office

31 July 1975
CABINET

DEVELOPMENT LAND TAX

Note by the Chancellor of the Exchequer

For the information of my colleagues I am circulating with this note a copy of the Command Paper "Development Land Tax" (Cmd 6195) which is to be published on Thursday 7 August.

D W H

Treasury Chambers

5 August 1975
Development Land Tax

Presented to Parliament by the Chancellor of the Exchequer by Command of Her Majesty
August 1975

LONDON
HER MAJESTY'S STATIONERY OFFICE
£1.05p. net

Cmnd. 6195
DEVELOPMENT LAND TAX

INTRODUCTION

1. The White Paper 'Land' (Cmd 5730, published on 12 September 1974, HMSO, price 18p) outlined the Government's proposals for a new tax on development value realised from land (including buildings) to be known as development land tax. This new tax will play an essential part in the move towards the achievement of the objects of the Government's comprehensive policy on development land. The legislation to implement other aspects of their policy is contained in the Community Land Bill now before Parliament.

2. The Inland Revenue issued a Press Statement on 4 February 1975 (copies of which can be obtained from the Public Enquiry Room, Inland Revenue, 8 New Wing, Somerset House, London WC2R 1LB) describing the tax proposals in rather more detail. This has given those affected an opportunity to make their point of view known.

3. The Government has decided that it would be helpful to all concerned if a draft of important parts of the proposed legislation were made available for comment and discussion before the Bill introducing development land tax is submitted to Parliament. Draft clauses and schedules are therefore set out in Appendix A to this White Paper. They are followed in Appendix B by explanatory notes.

4. The draft clauses and schedules in Appendix A are not necessarily in their final form and do not cover every aspect of development land tax. The main topics not dealt with are listed in the following paragraph. Where paragraph references are given after any of those topics, they are references to the paragraphs in the Inland Revenue Statement and for convenience those paragraphs are reproduced in Appendix C. (The explanatory notes indicate other areas in which the draft legislation will, or may, need to be amplified.)

5. The topics not dealt with in the draft clauses and schedules are as follows:

a. Administrative machinery, including arrangements for the assessment and collection of development land tax and deferment in appropriate cases (paragraph 13).

b. Arrangements to enable local authorities to acquire land net of the development land tax payable by the vendor (see Appendix C).

c. The application of the new tax to charities. It was announced on 15 July (Hansard, 15 July, Cols 403-404, Written Answers) that the Government will propose that development value realised by charities from land held on 12 September 1974 should be exempt from development land tax. The intended effect of the proposed legislation is described in Appendix C.

d. Rules to deal with certain special cases or circumstances. These include groups of companies (Paragraph 26), trusts (Paragraphs 28-29), housing
associations and the Housing Corporation (Paragraphs 38-40), statutory undertakers (Paragraph 45), industry (Paragraphs 46-48), minerals (Paragraphs 50-51), and provisions to counter avoidance (Paragraph 57).

e. Transitional arrangements (Paragraphs 4, 5 and 10).

6. The White Paper 'Land' stated that no development land tax would be payable where development value is realised by a residential owner-occupier on the sale or development of his sole or main residence or of land up to one-tenth of a hectare (approximately \( \frac{1}{4} \) acre) occupied with his house as its garden or grounds. After further consideration, the Government have decided that the exempted area should be increased from one-tenth of a hectare to 1 acre (approximately 0.4 of a hectare). Clause 12 in Appendix A incorporates the new limit.

7. It is the Government's hope that full advantage will be taken of this further opportunity to offer constructive comments, in particular on technical aspects, while the legislation is still in a formative stage. Comments should be addressed to the Board of Inland Revenue, Somerset House, Strand, London WC2R 1LB.
## APPENDIX A

### Development Land Tax Bill

## DRAFT CLAUSES AND SCHEDULES

### ARRANGEMENT OF CLAUSES

**The charge to tax**

<table>
<thead>
<tr>
<th>Clause</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Development land tax.</td>
</tr>
<tr>
<td>2.</td>
<td>Deemed disposals at start of material development.</td>
</tr>
<tr>
<td>3.</td>
<td>Part disposals.</td>
</tr>
<tr>
<td>4.</td>
<td>Realised development value.</td>
</tr>
<tr>
<td>5.</td>
<td>Relevant base value.</td>
</tr>
<tr>
<td>6.</td>
<td>Special addition to base A.</td>
</tr>
<tr>
<td>7.</td>
<td>Market value, current use value and material development.</td>
</tr>
<tr>
<td>8.</td>
<td>Devolution on death.</td>
</tr>
<tr>
<td>9.</td>
<td>Interests in land acquired by gift or, in certain cases, at an under value.</td>
</tr>
</tbody>
</table>

**Exemptions**

<table>
<thead>
<tr>
<th>Clause</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Bodies exempt from development land tax.</td>
</tr>
<tr>
<td>11.</td>
<td>Exemption for first £5,000 of development value.</td>
</tr>
<tr>
<td>12.</td>
<td>Private residences.</td>
</tr>
<tr>
<td>13.</td>
<td>Development of land held as stock in trade.</td>
</tr>
<tr>
<td>14.</td>
<td>Exemptions related to projects of material development.</td>
</tr>
</tbody>
</table>

**Supplementary**

<table>
<thead>
<tr>
<th>Clause</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.</td>
<td>Interaction of development land tax with other taxes.</td>
</tr>
<tr>
<td>16.</td>
<td>Duration of leases: effect of extensions, terminations and variations.</td>
</tr>
<tr>
<td>17.</td>
<td>Time of disposal and acquisition of interests in land.</td>
</tr>
<tr>
<td>18.</td>
<td>Definitions relating to interests in land.</td>
</tr>
<tr>
<td>19.</td>
<td>Partnerships.</td>
</tr>
<tr>
<td>20.</td>
<td>Interpretation.</td>
</tr>
<tr>
<td>21.</td>
<td>The appointed day.</td>
</tr>
</tbody>
</table>

**SCHEDULES:**

- Schedule 1—Projects of material development.
- Schedule 2—Realised development value: supplementary provisions.
- Schedule 3—Expenditure on improvements.
- Schedule 4—Development excluded from material development.
- Schedule 5—Authorised development.
- Schedule 6—Interaction of development land tax with other taxes.
DRAFT CLAUSES 
AND SCHEDULES

The charge to tax

1.—(1) A tax, to be called development land tax, shall be charged in accordance with the provisions of this Act in respect of the realisation of the development value of land in the United Kingdom.

(2) Subject to the provisions of this Act, a person shall be chargeable to development land tax on the realised development value, determined in accordance with this Act, which accrues to him on the disposal by him on or after the appointed day of an interest in land in the United Kingdom, and shall be so chargeable whether or not he is resident (for purposes of income tax or otherwise) in the United Kingdom.

(3) The rate of development land tax shall be 80 per cent.

2.—(1) Immediately before a project of material development is begun on any land, every major interest then subsisting in that land shall be deemed for the purposes of this Act to have been disposed of for a consideration equal to its market value at that time and to have been immediately re-acquired at that value.

(2) Part I of Schedule 1 to this Act shall have effect for determining what is a project of material development, what land is comprised in such a project and at what time such a project is to be treated for the purposes of this Act as begun, and Part II of that Schedule shall have effect for supplementing the provisions of this section.

(3) For the purposes of subsection (1) above, an interest in land comprised in a project of material development is a major interest unless—

(a) it is in reversion (at law or in equity) on one or more long leases, and the rent or the aggregate of the rents and of any premium or premiums to which, under or by virtue thereof, the owner of the interest is entitled does not, and cannot be made to, reflect the value or any part of the value of the development concerned; or

(b) its market value on the date on which the project is begun is less than £5,000 and it does not confer, either absolutely or conditionally and whether on that date or at any later time, a right to possession, within the meaning of the Law of Property Act 1925; 1925 c. 20.

and for the purposes of paragraph (a) above a lease is a long lease unless, on the date on which the project is begun, the unexpired term of the lease is less than 50 years.
(4) In the application of subsection (3) above to Scotland,—

(a) paragraph (a) shall have effect with the omission of the words “(at law or in equity)”; and

(b) paragraph (b) shall have effect with the omission of the words “within the meaning of the Law of Property Act 1925”.

(5) The provisions of subsections (1)(b), (c) and (d) and (2) to (3A) of section 84 of the Income and Corporation Taxes Act 1970 shall have effect in ascertaining for the purposes of subsection (3) above when the term of a lease will expire as they have effect in ascertaining the duration of a lease for the purposes of sections 80 to 82 of that Act, but as if—

(a) in the said subsection (1)(b), after the word “premium” there were inserted the words “(if any)”;

(b) in the said subsection (2), for the words from “the time of the grant of the lease” to “entered into” there were substituted the words “the date on which is begun the project of material development referred to in section 2 of the Development Land Tax Act 1975”;

(c) in the said subsection (3A), any reference to an inspector were a reference to the Board and the reference to the provisions of subsection (1) to (3) of the said section 84 were a reference to those provisions as applied by this subsection; and

(d) in the case of a lease agreed to be granted, references to what the terms of the lease do were references to what, in accordance with the agreement under which the lease is to be granted, its terms are to do.

3.—(1) Subject to subsection (4) below, references in this Act to a disposal of an interest in land include references to a part disposal thereof, and for the purposes of this Act there is a part disposal of an interest in land—

(a) where the owner of that interest grants a lease or other interest in land out of, or by virtue of his ownership of, his interest; and

(b) where the owner of that interest grants to another his interest in some but not all of the land in which that interest subsisted before the grant.

(2) Without prejudice to subsection (1) above, there is for the purposes of this Act a part disposal of an interest in land by the owner thereof where any sum is derived from his ownership of that interest and that sum is neither rent reserved under a lease
nor otherwise attributable to the acquisition (at any time) by the person paying that sum of an interest in that land, and this subsection applies in particular to—

(a) sums received by way of compensation for any kind of damage to land in which that interest subsists or for any depreciation or risk of depreciation of that interest;

(b) sums received in return for forfeiture or surrender of, or refraining from exercising, rights which are vested in the owner of the interest by virtue of his ownership thereof;

and

(c) sums received as consideration for use or exploitation of the land in which that interest subsists or of any assets in, on or under that land;

and for the purposes of this Act such a part disposal shall be deemed to take place on the date on which the right to receive the sum in question accrues.

(3) In subsection (2) above “sum” means money or money’s worth.

(4) Notwithstanding anything in subsection (1) above, the grant of an option to acquire or dispose of an interest in land, including an interest which is not in existence at the date of the grant of the option, is not for the purposes of this Act a part disposal (or a disposal) of that or any other interest in land, but the creation of a new interest in land (namely the option).

(5) In relation to a part disposal of an interest in land,—

(a) references in this Act to the retained interest are references to that interest in land which, by virtue of his previous ownership of the interest disposed of, the chargeable person has immediately after the disposal; and

(b) references in this Act to the granted interest apply only in the case of a disposal falling within subsection (1) above and, in such a case, are references to the interest granted as mentioned in paragraph (a) or paragraph (b) of that subsection.

4.—(1) Subject to the following provisions of this Act, the Realised development value accruing to a person on the disposal by him of an interest in land shall be the amount (if any) by which the net proceeds of the disposal exceed the relevant base value of that interest.

(2) In this Act, in relation to a disposal of an interest in land, “the chargeable person” means the person making the disposal.
(3) References in this Act to the net proceeds of the disposal of an interest in land are references to the consideration for the disposal, less the incidental costs to the chargeable person of making the disposal.

(4) The provisions of Schedule 2 to this Act shall have effect for supplementing this section and sections 5 to 7 below and, for the purpose of determining the realised development value accruing on a disposal occurring on or after the appointed day, those provisions shall have effect in relation to events before, as well as on or after, that day.

(5) Subject to any express provision contained in this Act, for the purpose of determining the realised development value accruing to a person on the disposal of an interest in land, any necessary apportionment shall be made of any consideration, expenditure or value and the method of apportionment adopted shall be such as appears to the Board or, on an appeal, to the Commissioners concerned to be just and reasonable.

(6) In determining the amount of any realised development value for the purposes of this Act, no deduction shall be allowable under any provision of this Act more than once from any amount or from more than one amount.

Relevant base value.

5.—(1) Subject to the following provisions of this section, the relevant base value of an interest in land which is disposed of is that one of the following which gives the highest figure, namely,—

(a) the aggregate of—

(i) the cost of the chargeable person’s acquisition of the interest,

(ii) any expenditure on relevant improvements,

(iii) the amount by which the current use value of the interest at the date of the disposal exceeds the current use value of the interest at the date of its acquisition or on 6th April 1965, which ever is the later, and

(iv) where section 6 below applies, the special addition provided for by subsection (2) of that section;

(b) the aggregate of 110 per cent. of the current use value of the interest at the date of the disposal and of any expenditure on relevant improvements;

(c) 110 per cent. of the aggregate of the cost of the chargeable person’s acquisition of the interest and of any expenditure on improvements;

and in this Act the three bases specified in paragraphs (a) to (c) above are referred to as “base A”, “base B” and “base C” respectively.
(2) In any case where the date of a person's acquisition of an interest in land falls before 1st July 1948, the relevant base value of that interest on a disposal of it by him shall be base B.

(3) For the purposes of this Act, the cost of a person's acquisition of an interest in land means, subject to subsection (5) below, the amount or value of the consideration in money or money's worth given by him or on his behalf wholly and exclusively for the acquisition of the interest, together with the incidental costs to him of the acquisition.

(4) Schedule 3 to this Act shall have effect—

(a) for determining, in relation to a disposal by any person of an interest in land, the amount of any expenditure on improvements and of any expenditure on relevant improvements; and

(b) with respect to matters consequential upon that determination.

(5) For the purposes of this section there shall be deducted from the amount which on the disposal of an interest in land would, apart from this subsection, be the amount of any consideration falling within subsection (3) above or of any expenditure on improvements or relevant improvements, so much of that consideration or expenditure as has been or is to be provided or met, directly or indirectly, by the Crown or a government or public or local authority, whether in the United Kingdom or elsewhere.

6.—(1) Subject to subsection (4) below, the provisions of this section apply for the purpose of determining base A on the disposal of an interest in land (in this section referred to as "the relevant interest") where the chargeable person acquired that interest before 1st May 1977.

(2) Subject to subsection (5) below, where this section applies, there shall be included in the calculation of the base value of the relevant interest a special addition of an amount equal to $D \times E$ per cent. of the cost of the chargeable person's acquisition of the relevant interest, where—

\[
D \text{ is the number of years, subject to a maximum of four, in the period beginning on the date of the chargeable person's acquisition of the relevant interest and ending on the date of the disposal; and }
\]

\[
E \text{ is 15, if the chargeable person acquired the relevant interest before 13th September 1974, and 10 in any other case. }
\]

(3) For the purposes of subsection (2) above a year is a period of twelve months beginning on, or on an anniversary of, the date...
of acquisition of the relevant interest by the chargeable person and if, apart from this subsection, D referred to in subsection (2) above would consist of either a part of a year or one or more whole years and a part of a year, that part shall be treated for the purposes of this section as a whole year.

(4) Subject to subsection (5) below, if there is a deemed disposal of the relevant interest, this section shall not have effect on any disposal (including a deemed disposal) of that interest which occurs after the deemed reacquisition which immediately follows the deemed disposal.

(5) Subject to subsection (6) below, if there is a deemed disposal of the relevant interest and on that disposal (in this subsection and subsection (6) below referred to as “the previous disposal”) the relevant base value of that interest exceeded the net proceeds of that disposal (in subsection (6) below referred to as “MV”), then, in the application of this section on the occasion of a disposal subsequent to the previous disposal,—

(a) references to the date on which the chargeable person acquired the relevant interest shall be construed as references to the date (prior to the previous disposal) on which he acquired that interest, otherwise than on the occasion of a deemed disposal and reacquisition;

(b) references to the cost of the chargeable person’s acquisition of the relevant interest shall be construed as references to the relevant fraction of the amount which would have been that cost on a notional disposal by him of the relevant interest occurring immediately after the date on which he acquired that interest as mentioned in paragraph (a) above; and

(c) D referred to in subsection (2) above shall be treated as reduced by the number of years (ascertained in accordance with subsection (3) above) in the period beginning on the date on which the chargeable person acquired the interest as mentioned in paragraph (a) above and ending on the date of the previous disposal.

(6) The relevant fraction referred to in subsection (5)(b) above is—

\[
\frac{BV - MV}{BV}
\]

where BV is the relevant base value of the relevant interest on the previous disposal, but in a case where paragraph 9 of Schedule 1 to this Act applies in determining the market value of the relevant interest for the purpose of the previous disposal, references in subsection (5) above and this subsection to the relevant base value of that interest on the previous disposal shall nevertheless be treated as
references to what would be that relevant base value if paragraph 17(1) of Schedule 2 to this Act did not apply.

7.—(1) For the purposes of this Act, the market value at any time of an interest in land is the consideration that might reasonably be obtained on a sale of that interest at that time in the open market.

(2) For the purposes of this Act, the current use value of an interest in land at any time is the market value of that interest at that time calculated on the assumption that it was at that time, and would continue to be, unlawful to carry out any material development of the land other than any material development thereof which, being authorised by planning permission in force at that time, was begun before that time.

(3) In determining for the purposes of subsection (2) above what material development of any land was authorised by planning permission at a time when there was in force in respect of the land only outline planning permission, only such development of the land as at that time—

(a) was authorised by that permission without any requirement as to subsequent approval, or

(b) was not so authorised but had been approved in the manner applicable to that planning permission,

shall for those purposes be taken to have been authorised by that permission at that time.

(4) In determining the realised development value accruing to the chargeable person on the disposal of an interest in land which is a part disposal resulting from the receipt of any such sum as is referred to in subsection (2) of section 3 above, the current use value of that interest at the date of that disposal shall be taken to be what it would have been at that date if the circumstances which caused the sum to be received had not arisen.

(5) In determining the market value or current use value of an interest in land at any time, the interest shall be treated as being sold free from any interest or right which exists by way of security in or over the land concerned.

(6) For the purposes of this Act “material development” means any development other than—

(a) development for which planning permission is granted by a general development order for the time being in force and which is carried out so as to comply with any condition or limitation subject to which planning permission is so granted; and

(b) development which is excluded from being material development by Schedule 4 to this Act;
Devolution on death. Interests in land acquired by gift or, in certain cases, at an under value.

8.—(1) For the purposes of this Act, the devolution of an interest in land on the personal representatives of the person by whom it was held immediately before his death shall be treated neither as a disposal by the deceased nor as an acquisition by the personal representatives but, for the purpose of determining the relevant base value of that interest on a disposal of it by the personal representatives, anything done by the deceased shall be treated as having been done (at the time it was in fact done) by the personal representatives and, accordingly,—

(a) the acquisition by the deceased shall be treated as if it had been the acquisition by the personal representatives; and

(b) any expenditure incurred by the deceased shall be treated as having been incurred by the personal representatives.

(2) In any case where, on the death of any person, an interest in land held by him devolves, otherwise than by virtue of any beneficial entitlement thereto, on a person other than his personal representatives, subsection (1) above shall have effect in relation to that interest with the substitution of a reference to that person for any reference to the personal representatives.

9.—(1) Subsection (2) below shall apply in determining the realised development value accruing to the chargeable person on the disposal of an interest in land (in this section referred to as "the relevant interest") where the chargeable person acquired that interest otherwise than for value; and in the following provisions of this section—

(a) "the material disposal" means the disposal of the relevant interest referred to above;

(b) "the previous disposal" means the disposal as a result of which the chargeable person acquired the relevant interest; and

(c) "the donor's interest" means the interest disposed of by the previous disposal (that is to say, except where that disposal was a part disposal, the relevant interest).

(2) For the purpose of determining the relevant base value of the relevant interest on the material disposal—

(a) the chargeable person's cost of acquisition of the relevant interest shall be taken to be an amount equal to that which was taken as the cost of acquisition of the donor's interest in determining the relevant base value of that interest on the previous disposal;
(b) to the amount which, apart from this section, would be the amount of expenditure on improvements or on relevant improvements there shall be added an amount equal to that which was taken as the amount of expenditure on improvements or, as the case may be, on relevant improvements for the purpose of determining the relevant base value of the donor's interest on the previous disposal;

(c) the current use value of the relevant interest at the date of its acquisition or on 6th April 1965 shall be taken to be equal to the value which, for the purpose of determining the relevant base value of the donor's interest on the previous disposal, was taken as the current use value of that interest at the date of its acquisition or on 6th April 1965, whichever was the later; and

(d) section 6 above shall not apply but, if that section applied for the purpose of determining base A of the donor's interest on the previous disposal, sub-paragraph (iv) of paragraph (a) of section 5(1) above shall have effect in relation to the material disposal as if it referred to the amount of the special addition provided for in relation to the previous disposal;

and if the previous disposal occurred before the appointed day it shall be assumed for the purposes of this subsection that that day fell (and this Act was in force) before the previous disposal occurred.

(3) Without prejudice to subsection (2) above, in any case where the chargeable person acquired the relevant interest on or after 1st July 1948, he shall be treated, for the purposes of section 5(2) of and paragraph 5 of Schedule 2 to this Act, as having acquired the relevant interest on the date which was the date of acquisition of the donor's interest for the purposes of the previous disposal.

(4) For the purpose of determining the realised development value accruing to the chargeable person on the disposal of an interest in land where—

(a) the chargeable person is either a charity or a body specified in paragraph 12 of Schedule 6 to the Finance Act 1975 (for purposes of capital transfer tax, transfers of value to certain bodies to be exempt transfers), and

(b) the chargeable person did not acquire that interest otherwise than for value, but acquired it for a consideration less than that which might reasonably have been obtained in the open market, and

(c) the application of subsections (2) and (3) above would give a higher base value for the interest disposed of than would be available if those subsections were not applied,

subsection (1) to (3) above shall apply as if the chargeable person's acquisition of that interest were otherwise than for value.
(5) In any case where by virtue of any provision of this Act an amount falls to be added to the amount which, apart from that provision, would be the cost of acquisition of an interest in land then, notwithstanding that no consideration is in fact given for that interest, the acquisition of that interest shall not be treated for the purposes of this Act as being an acquisition otherwise than for value.

Exemptions

10.—(1) On the disposal of any interest in land, development land tax shall not be chargeable on any realised development value accruing to—

(a) an authority, within the meaning of the Community Land Act 1975, including a joint board established under section 2 of that Act; or

(b) a body corporate established under section 52 of that Act (bodies to exercise reserve powers); or

(c) the Commission for the New Towns; or

(d) the council of a district in Scotland which is within the district of a general planning authority, within the meaning of Part IX of the Local Government (Scotland) Act 1973; or

(e) the council of a county or district in Wales; or

(f) the Scottish Special Housing Association; or

(g) a relevant Northern Ireland authority, as defined in subsection (2) below.

(2) The relevant Northern Ireland authorities referred to in subsection (1)(g) above are:—

1965 c. 13 (N.I.).

(a) a new town commission established under the New Towns Act (Northern Ireland) 1965;

1970 c. 9 (N.I.).

(b) the Police Authority for Northern Ireland established under the Police Act (Northern Ireland) 1970;

1971 c. 5 (N.I.).

(c) the Northern Ireland Housing Executive established under the Housing Executive (Northern Ireland) Act 1971;

1972 c. 9 (N.I.).

(d) a district council established under the Local Government Act (Northern Ireland) 1972;


(e) an Education and Library Board established under the Education and Libraries (Northern Ireland) Order 1972;


(f) a Health and Social Services Board established under the Health and Personal Social Services (Northern Ireland) Order 1972; and


(g) the Fire Authority for Northern Ireland established under the Fire Services (Northern Ireland) Order 1973.
11.—(1) Subject to the provisions of this section, if the total amount of realised development value which accrues to an individual or company in any financial year and on which, apart from this section, the individual or company would be chargeable to development land tax does not exceed £5,000, development land tax shall not be chargeable on any of that realised development value.

(2) If subsection (1) above does not apply to an individual or company in respect of any financial year, then, subject to the following provisions of this section, the sum of £5,000 shall be deducted from the amount of realised development value on which, apart from this subsection, the individual or company would be chargeable to development land tax in that financial year.

(3) If, in a case where subsection (2) above applies in relation to an individual or company in respect of any particular financial year, the realised development value accruing to that individual or company in that year is made up of two or more separate amounts accruing on two or more separate disposals, the sum of £5,000 referred to in that subsection shall be set against those separate amounts in the order of the disposals on which they accrued until the whole sum is exhausted.

(4) In any case where, by virtue of any provision of this Act, any liability to development land tax in respect of the realised development value accruing to any person on a deemed disposal of an interest in land is postponed until the occasion of a subsequent actual disposal or other event, the realised development value shall nevertheless be regarded for the purposes of this section as accruing at the end of the financial year in which the earlier deemed disposal occurred.

(5) The preceding provisions of this section shall apply to the trustees of a settlement as if the trustees were a company distinct from the individuals of whom they are composed.

(6) For any financial year during the whole of which a married woman is living with her husband, subsection (1) to (3) above shall apply to the husband and wife as if they were a single individual.

(7) Where two or more persons carry on a trade or business in partnership, then, for the purposes of the preceding provisions of this section,—

(a) notwithstanding anything in section 19 below, the firm shall be treated as a single individual and all disposals by the firm of interests in land forming part of the assets of the partnership shall be treated as made by that individual; and

(b) a change in the persons carrying on the trade or business shall be disregarded if, assuming an election under section 154(2) of the Income and Corporation Taxes Act 1970 to 1970 c. 10. have been duly made, the trade or business would not by virtue of section 154(1) of that Act be treated as discontinued by reason of the change.
12.—(1) Subject to the provisions of this section where realised
development value accrues to an individual on the disposal of an
interest in land which is or includes the whole or any part of his
private residence, development land tax shall not be chargeable on
that realised development value except to the extent (if any) that
that value is attributable to land which does not form part of his
private residence.

(2) For the purposes of this section an individual’s “private
residence” means—

(a) land comprising a dwelling-house which, at the date of the
 disposal in question, is that individual’s only or main
residence; and

(b) land which at that date he has for his own occupation and
enjoyment with that dwelling-house as its garden or grounds
up to an area which, when aggregated with the area of the
site of that dwelling-house, does not exceed one acre;
and where part of the land occupied with a dwelling-house forms
part of an individual’s private residence and part does not, then (up
to the permitted area) the part which is to be taken as included in
his private residence is that which, if the remainder were separately
occupied, would be most suitable for occupation and enjoyment
with the dwelling-house.

(3) At the date of the disposal by an individual of an interest in
land, a dwelling-house shall be regarded as that individual’s only or
main residence if and only if his period of ownership of it is not
less than 6 months and it has been his only or main residence—

(a) where his period of ownership is 2 years or more, through­
out at least 12 of the 24 months ending on the date of the
disposal; and

(b) where his period of ownership is less than 2 years, through­
out at least half that period or throughout a period of 6
months, whichever is the greater.

(4) If realised development value accrues to an individual on the
disposal of an interest in land which comprises a dwelling-house
which is or forms part of his private residence but which is used in
part exclusively for the purposes of a trade or business or of a
profession, vocation, office or employment, the realised development
value shall be apportioned and subsection (1) above shall apply in
relation to the part of that value apportioned to the part which is
not exclusively used for those purposes.

(5) If at any time in the period of ownership there is a change
in what is occupied as the individual’s residence, whether on account
of a reconstruction or conversion of a building or for any other reason,
or there have been changes as regards the use of part of his private
residence for the purpose of a trade or business or of a profession,
vocation, office or employment, or for any other purpose, the relief
given by this section may be adjusted in such manner as appears to
the Board or, on an appeal, to the Commissioners concerned to be
just and reasonable.

5 (6) This section shall also apply in relation to realised development
value accruing to trustees on the disposal of an interest in land held
in trust where that land is or includes the whole or any part of a
dwelling-house which, at the date of the disposal, is the only or
main residence of a person—

10 (a) entitled to occupy it under the terms of the trust, or
(b) entitled, under the terms of the trust, to the whole of the
income derived from, or from the proceeds of sale of, that
interest,

and in this section as so applied, except in relation to the occupation
15 of a dwelling-house, references to the individual shall be taken as
references to the trustees.

7) In any case where—

(a) realised development value accrues to the personal repre­
sentatives of a deceased person on the disposal, within the
period of two years beginning on the date of the deceased's
death, of an interest in land forming part of his estate, and
(b) if the deceased had disposed of that interest immediately
before his death the preceding provisions of this section
would have applied to the whole or any part of the realised
development value accruing to him on that disposal,

this section shall apply to the like extent to the realised development
value referred to in paragraph (a) above as it would have applied to
the realised development value referred to in paragraph (b) above.

8) In determining whether, and to what extent, any provisions of
this section would have applied in the circumstances specified in
subsection (7)(b) above—

(a) subsection (3) above shall have effect with the omission of
the words “his period of ownership of it is not less than
six months and” and, in paragraph (b) of that subsection,
with the omission of the words from “or throughout” to
the end of the paragraph; and
(b) if the deceased died before the appointed day, it shall be
assumed that that day fell (and this Act was in force) before
his death.

9) In this section “dwelling-house” includes a part of a dwelling-
house and “period of ownership”, in relation to the disposal by an
individual of an interest in land, means the period—

(a) beginning on the date on which that individual acquired
or, if there has been a deemed disposal followed by a
deemed re-acquisition, first acquired that interest or any other interest conferring on him a right to immediate possession of, or of any part of, that land; and

(b) ending on the date of the disposal.

13.—(1) If realised development value accrues to any person on the disposal of an interest in land (in this section referred to as “the relevant disposal”) and—

(a) that interest was acquired by him on or before 12th September 1974 and on that date was held by him as stock in trade, and

(b) on that date there was in force planning permission authorising any development (in this section referred to as “authorised development”) of the whole or any part of that land,

he shall not be chargeable to development land tax on so much of that realised development value as, in accordance with this section, is determined to be attributable to the authorised development.

(2) The realised development value attributable to any authorised development is that amount of realised development value which would have accrued to the chargeable person on the relevant disposal if—

(a) on the date of the disposal, no material development could be carried out of the land other than authorised development; and

(b) where the disposal is a deemed disposal, the project of material development concerned consisted of carrying out so much of the authorised development as was not carried out before the appointed day; and

(c) where paragraph (b) above does not apply, the consideration for the disposal were the market value (on the basis set out in paragraph (a) above) of the interest disposed of.

(3) Subsections (1) and (2) above shall have effect in accordance with subsection (4) below if realised development value accrues to any person on the disposal of an interest in land and on 12th September 1974 he did not hold that interest but held as stock in trade either—

(a) an option to acquire an interest in that land, being an option which was exercised before the disposal; or

(b) a lease which, before the disposal, became merged in that interest and which, if it had not become merged, would have been in existence at the time of the disposal;

and in subsection (4) below the interest held as stock in trade on 12th September 1974 is referred to as “the original interest”.
(4) In a case where subsection (3) above applies,—

(a) subsection (1) above shall have effect with the omission of paragraph (a), and

(b) subsection (2) above shall have effect with the substitution for the reference to the relevant disposal of a reference to a disposal of the original interest taking place at the time of the relevant disposal,

and for the purposes of the disposal of the original interest referred to in paragraph (b) above it shall be assumed that, on the date of that disposal, the original interest continued in existence as a separate interest in land (and, in the case of an option, had not yet been exercised).

(5) In any case where—

(a) a person (in this subsection referred to as "the donee") acquires an interest in land otherwise than for value, and

(b) the circumstances are such that if the person from whom the donee acquired that interest (in this subsection referred to as "the donor") had disposed of it at market value immediately before he disposed of it to the donee, subsections (1) and (2) above would have had effect (with or without the modifications in subsection (4) above) in relation to any realised development value accruing to the donor on that disposal,

the donee shall be treated for the purposes of this section (but not for any other purpose) as if he and the donor were one and the same person (and, accordingly, as if the disposal by the donor and the acquisition by the donee had not occurred).

(6) In any case where—

(a) on the death of any person, an interest in land held by him devolves on his personal representatives, and

(b) the circumstances are such that if the deceased had disposed of that interest at market value immediately before his death, subsections (1) and (2) above would have had effect (with or without the modifications in subsection (4) above) in relation to any realised development value accruing to him on that disposal,

the personal representatives shall be treated for the purposes of this section (but not for any other purpose) as if they and the deceased were one and the same person; and subsection (2) of section 8 above shall have effect in relation to this subsection as it has effect in relation to subsection (1) of that section.

(7) In any case where the date of the hypothetical disposal referred to in paragraph (b) of subsection (5) or subsection (6) above falls before the appointed day, it shall be assumed, in determining
whether the circumstances are such as fall within that paragraph, that the appointed day fell (and this Act was in force) before that date.

(8) For the purposes of this section an interest in land was held by a person as stock in trade on 12th September 1974 if, had he sold that interest on that date, the proceeds of sale would have been taken into account in computing the profits or gains of a trade carried on by him.

(9) For the purposes of this section—

(a) notwithstanding anything in section 17(3) below, an interest in land acquired by any person under a conditional contract entered into on or before 12th September 1974 shall be treated as held by him on that date; and

(b) the provisions of Schedule 5 to this Act shall have effect for determining the nature and extent of any planning permission.

14.—(1) Where, immediately before a project of material development is begun, there is a deemed disposal of an interest in land (in this section referred to as “the relevant interest”) development land tax shall not be chargeable on the realised development value accruing on that deemed disposal to the person (in this section referred to as “the owner”) who is the owner of the relevant interest at that time if—

(a) all the development comprised in that project is excluded development, as defined in subsection (2) below; or

(b) the Board are satisfied that the conditions in subsection (3) below are fulfilled.

(2) Development is excluded development for the purposes of subsection (1)(a) above if—

(a) it is development which, by virtue of section 4 of the Community Land Act 1975 (exemption for certain dwelling-houses built by landowners for occupation by themselves or members of their families) is excluded from being relevant development, within the meaning of that Act; or

(b) it is development of land in Northern Ireland and would fall within paragraph (a) above if, in the said section 4, subsections (1) to (6) extended to Northern Ireland,

(i) with the omission of paragraph (c) of subsection (1);

(ii) with the substitution, in subsection (2), of a reference to the time referred to in subsection (1) of this section for the reference to the date of the service of the notice; and

(iii) with the addition of the definition of “owner” in subsection (7) of that section.
(3) The conditions referred to in paragraph (b) of subsection (1) above are—

(a) that the owner acquired the relevant interest within the period of 2 years ending on the date on which the project referred to in that subsection is begun; and

(b) that, if that project had been begun immediately after the relevant interest was so acquired, no significant amount of realised development value would have accrued to the owner on the deemed disposal occurring immediately before the project began;

and, for the purposes of paragraph (b) above, in any case where the owner acquired the relevant interest before the appointed day, it shall be assumed that the appointed day fell (and this Act was in force) before the time of his acquisition.

(4) In any case where—

(a) it is proposed that a project of material development should be begun on any land, and

(b) before that project is begun, the owner of an interest in that land makes an application to the Board in that behalf and furnishes to the Board such information as they may require with respect to the proposed project and to such other matters as may be material to the exercise of the Board's functions under this section,

the Board shall notify the owner whether, if the project were to be begun forthwith, they would or would not be satisfied that the conditions in subsection (3) above would be fulfilled with respect to that interest and that project.

(5) A notification under subsection (4) above that the Board would be satisfied as mentioned in that subsection shall specify—

(a) the name of the person to whom the notification is given;

(b) the interest to which the notification relates and the date on which the person concerned acquired that interest; and

(c) the project to which the notification relates.

(6) Where—

(a) such a notification as is referred to in subsection (5) above has been given, and

(b) the project to which the notification relates is begun within the period of two years beginning on the date specified in accordance with subsection (5)(b) above, and

(c) immediately before the beginning of that project, there is a deemed disposal of the interest to which the notification relates,
then, subject to subsection (7) below, development land tax shall not be chargeable on any realised development value accruing to the person specified in the notice or to his personal representatives on the deemed disposal referred to in paragraph (c) above.

(7) If any of the information furnished to the Board under subsection (4)(b) above was not such as to make full and accurate disclosure of all facts and considerations which were material to enable the Board properly to exercise their functions under this section with respect to the interest and project concerned, any such notification as is referred to in subsection (5) above which has been given with respect to that interest and project shall be of no effect for the purposes of subsection (6) above.

Supplementary

15.—(1) The provisions of Schedule 6 to this Act shall have effect where development land tax falls to be charged on the realisation of development value which is also brought into account, in whole or in part, for the purposes of—

(a) tax on chargeable gains;
(b) tax on profits or gains of a trade or business;
(c) estate duty; or
(d) capital transfer tax.

(2) Without prejudice to subsection (1) above, payments of development land tax shall not be available as a deduction in computing the amount of the profits or gains of a trade or business.

16.—(1) Where the terms of a lease include provision for the extension of the lease beyond a given date by notice given by the tenant, it shall be assumed for the purposes of this Act, other than section 2(3) thereof, that the term of the lease will extend for as long as it can be extended by the tenant.

(2) If a lease in fact runs beyond its presumed expiry date, it shall be assumed for the purposes of this Act, other than this subsection, that the landlord (by a part disposal of his interest) has granted to the tenant a new lease taking effect on the day following the presumed expiry date and, so far as that assumption allows, on the terms and conditions of the lease which is in fact continuing.

(3) If a lease comes to an end on a day before its presumed expiry date (whether by agreement between the parties, by forfeiture or for any other reason) it shall be assumed for the purposes of this Act, other than this subsection, that the tenant has on that day surrendered the lease to the landlord.

(4) In subsections (2) and (3) above “presumed expiry date”, in relation to a lease, means the end of the term for which, having regard to subsection (1) above, it is treated as granted.
(5) Where there is a material variation of the terms and conditions of a lease, it shall be assumed for the purposes of this Act, other than this subsection,—

(a) that the tenant has surrendered the lease to the landlord immediately before the time at which the variation comes into force; and

(b) that the landlord, by a part disposal of his interest, has granted to the tenant a new lease taking effect immediately after that time and, so far as that assumption allows, on the terms and conditions of the lease then in force.

(6) For the purposes of subsection (5) above, there is a material variation of the terms and conditions of a lease where—

(a) there is a variation of any terms and conditions which, on a disposal, would be relevant to determine the duration of the lease for the purposes of this Act, other than section 2(3) above; or

(b) the terms and conditions are varied by the release or modification of a covenant or agreement restricting the material development of any of the land in which the lease subsists.

17.—(1) The provisions of this section shall have effect for determining the time at which, for the purposes of this Act, an interest in land is to be taken to be disposed of or acquired.

(2) Subject to section 3(2) above and the following provisions of this section, where an interest in land is disposed of and acquired under a contract, the time at which the disposal and acquisition is made is the time the contract is made and not, if different, the time at which the interest is conveyed or transferred.

(3) Notwithstanding anything in subsection (2) above, if the contract is conditional (and, in particular, if it is conditional on the exercise of an option) the time at which the disposal and acquisition is made is the time when the condition is satisfied.

(4) Where an interest in land is acquired, otherwise than under a contract, by an authority exercising compulsory powers, then, subject to subsection (7) below, the time at which the disposal and acquisition is made is the time at which the compensation for the acquisition is agreed or otherwise determined (variations on appeal being disregarded for this purpose) or, if earlier, the time when the authority enter on the land in pursuance of their powers.

(5) Subject to subsection (8) below, if the disposal of an interest in land under a conditional contract entered into before 13th September 1974 is made for a consideration not depending wholly or mainly on the value of the interest at the time the condition is satisfied then for the purposes of subsections (2) and (3) above the contract shall
be treated (on the condition being satisfied) as if it had never been conditional.

(6) Subject to subsection (8) below, where an owner of an interest in land had before 13th September 1974 arranged (without entering into a binding contract) to dispose of that interest to another person and—

(a) the arrangement was made in writing or is evidenced by a memorandum or note thereof so made before that date; and

(b) he disposes of the interest to that other person under a contract which is entered into within the period of twelve months beginning on the appointed day and of which the terms do not differ materially from the terms of the arrangement or, if they so differ, are not more beneficial to the owner,

the contract, if not conditional, shall be treated for the purposes of subsection (2) above as if made before the appointed day and, if conditional, shall be treated for the purposes of subsection (5) above as entered into before 13th September 1974.

(7) Subject to subsection (8) below, where an interest in land is disposed of on or after the appointed day to an authority exercising compulsory powers then, if notice to treat in respect of that interest was (or is by virtue of any enactment deemed to have been) served before 13th September 1974 on the person making the disposal, the disposal shall be treated for the purposes of this Act as having been made before the appointed day.

(8) Nothing in subsections (5) to (7) above shall apply to determine the time at which an interest in land is to be taken to be acquired.

(9) Nothing in this section shall be taken as affecting the time at which an interest in land is disposed of or acquired for the purposes of tax on chargeable gains or Part III of the Finance Act 1974.

18.—(1) Subject to subsection (2) below, except where the context otherwise requires, in this Act the expression “interest in land” means any estate or interest in land, any right in or over land or affecting the use or disposition of land, and any right to obtain such an estate, interest or right from another which is conditional on the other's ability to grant the estate, interest or right in question.
(2) Notwithstanding anything in subsection (1) above, the expression “interest in land” does not in this Act include—

(a) the interest of a creditor (other than a creditor in respect of a rent charge) whose debt is secured by way of mortgage, an agreement for a mortgage or a charge of any kind over land; or

(b) in Scotland, the interest of a creditor in a charge or security of any kind over land.

(3) In this Act the expression “lease” does not include any interest which, by virtue of subsection (2) above, is not an interest in land, but, subject to that, that expression—

(a) comprehends any leasehold tenancy, whether in the nature of a head lease, sublease or underlease, and

(b) includes an agreement to grant any such leasehold tenancy, and, in their application to a lease which consists of such an agreement as is referred to in paragraph (b) above, expressions appropriate to a lease which has been granted (such as “landlord”, “reversion”, “tenant” and “term”) shall be construed accordingly.

19. Where two or more persons carry on a trade or business in partnership—

(a) any partnership dealings shall be treated as dealings by the partners and not by the firm as such; and

(b) tax in respect of realised development value accruing to the partners on the disposal shall, in Scotland as well as elsewhere in the United Kingdom, be charged on them separately.

20.—(1) In this Act, unless the context otherwise requires,—

“the Board” means the Commissioners of Inland Revenue;

“building” includes any structure or erection, and any part of a building, as so defined, but does not include plant or machinery comprised in a building;

“chargeable person” has the meaning assigned to it by section 4(2) of this Act;

“company” means any body corporate or unincorporated association, other than a partnership;

“deemed disposal”, in relation to an interest in land, means a disposal of that interest which is deemed to occur by virtue of section 2 of this Act and “deemed reacquisition”, in relation to an interest of which there has been a deemed disposal, means the reacquisition of that interest which is provided for by that section;

“development” and “development order” have the meaning assigned to them by the relevant planning enactment;
"easement", in relation to Scotland, means servitude;

"enactment" includes an enactment of the Parliament of Northern Ireland and a Measure of the Northern Ireland Assembly;

"land", except in relation to Scotland, means any corporeal hereditament, including a building, and in relation to Scotland includes land covered with water and any building;

"material development" has the meaning assigned to it by section 7(6) of this Act;

"outline planning permission" means planning permission granted on an outline application, that is to say, an application for planning permission subject to subsequent approval on any matters;

"personal representatives" means, in relation to the estate of a deceased person, his personal representatives as defined in relation to England and Wales by section 55 of the Administration of Estates Act 1925 and persons having in relation to the deceased under the law of another country any functions corresponding to the functions for administrative purposes under the law of England and Wales of personal representatives as so defined;

"planning permission" has the meaning assigned to it by the relevant planning enactment;

"project of material development" has the meaning assigned to it by paragraph 1 of Schedule 1 to this Act;

"the relevant planning enactment" means—

(a) in relation to land in England and Wales, section 290(1) of the Town and Country Planning Act 1971;

(b) in relation to land in Scotland, section 275(1) of the Town and Country Planning (Scotland) Act 1972; and

(c) in relation to land in Northern Ireland, Article 2 of the Planning (Northern Ireland) Order 1972;

"reversion", in relation to Scotland, means the interest of the landlord in land subject to a lease or, as the case may be, the interest of the lessee of land who is the landlord under a sub-lease;

"trade", "profession", "vocation", "office" and "employment" have the same meaning as in the Income Tax Acts.

(2) For the purposes of this Act, the personal representatives of a deceased person shall be treated as being a single and continuing body of persons distinct from the persons who may from time to time be the personal representatives.
(3) Any reference in this Act to any other enactment shall be construed as referring to that enactment as amended by or under any other enactment, including this Act.

21.—(1) In this Act "the appointed day" means such day as the Treasury may by order appoint.

(2) No order shall be made under this section unless a draft of it has been laid before and approved by the Commons House of Parliament.
1. For the purposes of this Act a "project of material development" is any project or scheme in pursuance of which any material development is, or is to be, carried out.

2.—(1) For the purposes of this Act, the carrying out of a project of material development shall be taken to be begun on the earliest date on which any specified operation comprised in the project is begun.

(2) In this Schedule "specified operation" means any of the following, that is to say—

(a) any work of construction in the course of the erection of a building;

(b) the digging of a trench which is to contain the foundations, or part of the foundations, of a building;

(c) the laying of any underground main or pipe to the foundations, or part of the foundations, of a building or to any such trench as is mentioned in paragraph (b) above;

(d) any operation in the course of laying out or constructing a road or part of a road;

(e) any change in the use of any land, where that change constitutes development.

3. [Variation of a project.]

4. Without prejudice to the preceding provisions of this Schedule, where—

(a) any material development is carried out on land in accordance with planning permission granted for a limited period;

and

(b) subsequently planning permission is granted for the retention on the land of any building or works authorised by the planning permission referred to in paragraph (a) above or, as the case may be, for the continuance of a use so authorised,

then, for the purposes of this Act, the retention or continued use referred to in paragraph (b) above shall be treated as constituting a project of material development consisting of a material change in the use of the land to which the planning permission referred to...
in that paragraph relates and the date of the grant of that permission shall be treated as the date on which that project is begun.

5.—(1) Subject to the following provisions of this paragraph, in determining for the purposes of this Act what is at any time comprised in a project of material development—

(a) all the development (whether material development or not) which is to be, or has before that time been, carried out in pursuance of the project, and all operations in the course of the clearing of the land which are to be, or have before that time been, so carried out, shall be taken to be comprised in the project, and

(b) all land which is to be, or has before that time been, developed or cleared in pursuance of the project (but no other land) shall be taken to be land comprised in the project.

(2) Where a project of material development consists of or includes the erection of one or more buildings, the land comprised in the project shall be taken to include the site of any garage, outbuilding, garden, yard, court, forecourt or other appurtenance which is to be, or has been, constructed or laid out for occupation with, and for the purposes of, that building or those buildings, as the case may be, if any such site would not be comprised in the project apart from this sub-paragraph.

(3) In the case of a project of material development which does not include any development other than a material change in the use of the whole or part of a hereditament, the land comprised in the project shall for the purposes of this Act be taken to be that hereditament.

(4) In sub-paragraph (3) above “hereditament”, in relation to a project of material development, means the aggregate of the land which, at the date on which that project is begun, forms the subject of a single entry in the valuation list or, in Scotland, the valuation roll for the time being in force for a rating area.

6. In the preceding provisions of this Schedule, any expression to which a meaning is assigned by the relevant planning enactment and which is not otherwise defined for the purposes of this Act has the same meaning as in that enactment.

PART II

SUPPLEMENTARY PROVISIONS RELATING TO DEEMED DISPOSALS

7.—(1) In determining for the purposes of this Act the market value of an interest in land immediately before a project of material development is begun,—

(a) it shall be assumed—

(i) that it is lawful for the project to be carried out,
(ii) that the project will be carried out, and
(iii) that planning permission would not be and has not been granted for any development of that land which constitutes material development, which is not comprised in the project and which has not been carried out or begun before the date on which the project is begun;

(b) account shall be taken of any conditions imposed on any grant of planning permission for all or any of the development comprised in the project; and

(c) to the extent that it would restrict the doing of anything comprised in the project, no account shall be taken of any incumbrance falling within sub-paragraph (2) below.

(2) The incumbrances referred to in sub-paragraph (1)(c) above are the following, so far as they subsist immediately before the project of material development is begun and affect any of the land comprised in the project, namely,—

(a) any easement;

(b) any restrictive covenant;

(c) any covenant or agreement restrictive of the use or development of land which, having been made between a lessor and a lessee, forms part of the terms and conditions of an interest in that land;

(d) any land obligation within the meaning of section 1(2) of the Conveyancing and Feudal Reform (Scotland) Act 1970;

(e) any mining lease.

8.—(1) Without prejudice to paragraph 7 above, where there is a deemed disposal of a major interest in land, the chargeable person shall be treated as having assumed, as part of the disposal, a contingent liability in respect of the incumbrances which fall within paragraph 7(2) above.

(2) If at any time after the project of material development in question is begun, a person who is treated as having assumed a contingent liability under sub-paragraph (1) above incurs any expenditure in consideration of a disposal of an incumbrance which falls within paragraph 7(2) above, that expenditure shall be treated for the purposes of this Act as incurred by him in pursuance of that contingent liability.

9. Without prejudice to paragraph 7 above, where—

(a) there is a deemed disposal of a major interest in land, and

(b) the land in which the interest subsists includes both the land comprised in the project of material development in
question (in this paragraph referred to as "the project land") and other land, it shall be assumed for the purpose only of determining the market value of that interest immediately before the project is begun that that interest subsists only in the project land.
Section 4.

SCHEDULE 2

REALISED DEVELOPMENT VALUE: SUPPLEMENTARY PROVISIONS

PART I

DISPOSALS OUT OF ASSEMBLED LAND

Date and cost of acquisition

1.—(1) This Part of this Schedule applies in any case where there is a disposal of an interest in land (in this Part of this Schedule referred to as "the relevant interest") and the chargeable person did not acquire the whole of the rights which make up the relevant interest in a single transaction but acquired at different times two or more different interests (whether those interests were different in nature or were in different pieces of land or both) which together make up the relevant interest.

(2) Any reference in this Part of this Schedule to a part of the relevant interest is a reference to an interest in land which was acquired by the chargeable person at a particular time and which, together with one or more other such interests acquired at another time or other times, makes up the relevant interest.

(3) If, before the disposal of the relevant interest, the chargeable person acquired a lease which (at the time of its acquisition or otherwise) became merged in another part of the relevant interest, the lease shall continue to be regarded for the purposes of this Part of this Schedule as a part of the relevant interest until the date on which it would have expired if the merger had not occurred.

2.—(1) For the purposes of this Act, the date of acquisition of the relevant interest shall be treated, subject to paragraphs 4 and 5 below, as the last date on which the chargeable person acquired a part of the relevant interest and the cost of his acquisition of the relevant interest shall, subject to paragraph 5 below, be the aggregate of the costs of his acquisition of the several parts of the relevant interest.

(2) Nothing in sub-paragraph (1) above shall affect the construction of any references in the following provisions of this Part of this Schedule to the date of acquisition of any part of the relevant interest.

Expenditure on improvements

3.—(1) Notwithstanding anything in paragraph 2 above, for the purposes of determining the relevant base value of the relevant interest, the expenditure on improvements or, as the case may be, on relevant improvements shall be the aggregate of the amounts which, if there were a separate disposal of each part of the relevant
interest, would be the amount of that expenditure in determining the relevant base value of each part.

(2) For the purpose of the determination referred to in sub-paragraph (1) above, the separate disposals shall be assumed to take place at the same time as the actual disposal of the relevant interest.

**Determination of base A**

4. Subject to paragraph 5 below, for the purpose of determining base A of the relevant interest,—

(a) a separate current use value, as at the date of its acquisition or on 6th April 1965, whichever is the later, shall be established for each part of the relevant interest; and

(b) the aggregate of the current use values of the several parts established in accordance with sub-paragraph (a) above shall be treated as the current use value of the relevant interest at the date of its acquisition or on 6th April 1965, whichever is the later; and

(c) if the chargeable person acquired any part of the relevant interest before 1st May 1977, section 6 of this Act shall apply, subject to sub-paragraph (d) below, on the disposal of the relevant interest (whether or not the date of acquisition of that interest, as determined under paragraph 2 above, is before that date); and

(d) where section 6 of this Act applies on the disposal of the relevant interest, it shall be applied separately with respect to each part of that interest (taking account of the date of acquisition of each part) and, in determining base A of the relevant interest, the special addition provided for by that section shall be taken to be the aggregate of the special additions determined for the several parts of the relevant interest in accordance with this sub-paragraph.

**Land acquired before July 1948**

5.—(1) The provisions of this paragraph apply if any part of the relevant interest was acquired by the chargeable person before 1st July 1948 but, for the purposes of this Act, the date of acquisition of the relevant interest is on or after that date; and in the following provisions of this paragraph a part of the relevant interest which was so acquired is referred to as an "original part".

(2) For the purpose of determining base A of the relevant interest in a case where this paragraph applies,—

(a) the cost of the chargeable person's acquisition of an original part of the relevant interest shall be deemed for the purposes of section 5 of this Act to be an amount equal to the current use value of that part on the date of the disposal of the relevant interest; and
(b) for the purposes of paragraph 4 above, the current use value of an original part of the relevant interest on 6th April 1965 shall be deemed to be equal to the current use value of that part on the date of the disposal of the relevant interest; and

(c) where section 6 of this Act applies on the disposal of the relevant interest, that section shall not be applied with respect to an original part of that interest and, accordingly, that part shall be left out of account in making the aggregation required by paragraph 4(d) above.

(3) For the purpose of determining base C of the relevant interest in a case where this paragraph applies,—

(a) paragraph (a) of sub-paragraph (2) above shall apply; and

(b) from the amount which, apart from this provision, would be the amount of the expenditure on improvements there shall be deducted a sum equal to the amount by which, at the date of the disposal of the relevant interest, the current use value of the original part has increased as a result of expenditure on improvements.

(4) In any case where, for the purposes of sub-paragraph (2) or sub-paragraph (3) above, it is necessary to determine the current use value of an original part of the relevant interest at the date of the disposal of that interest, it shall be assumed for those purposes that at that date the interests existing in the land in which the relevant interest subsists are the same as those which existed on 1st July 1948 and, where any of those interests were leases, that the length of the term still to run on the date of the disposal of the relevant interest is the same as it was on 1st July 1948.

Partial exemptions from charge

6.—(1) The provisions of this paragraph apply if the chargeable person acquired a part of the relevant interest (in this paragraph referred to as “the material interest”) in such circumstances that, if the material interest continued to exist as a separate entity, section 9 of this Act would apply in determining the realised development value accruing to the chargeable person on a disposal of it.

(2) Where this paragraph applies, it shall be assumed for the purposes of sub-paragraph (3) below that—

(a) the material interest exists as a separate entity; and

(b) in place of the disposal of the relevant interest there were a disposal at market value of the material interest; and

(c) on that disposal the relevant base value of the material interest were derived from that one of the three bases specified in section 5(1) of this Act which in fact gives the relevant base value of the relevant interest.
(3) Making the assumptions specified in sub-paragraph (2) above, there shall be ascertained—

(a) the realised development value which would accrue to the chargeable person on the disposal referred to in paragraph (b) of that sub-paragraph; and

(b) the realised development value which would accrue to him on that disposal if section 9 of this Act had not been enacted.

(4) The provisions of sub-paragraph (5) or, as the case may be, sub-paragraph (6) below shall have effect if the amount of realised development value ascertained under paragraph (b) of sub-paragraph (3) above exceeds the amount ascertained under paragraph (a) of that sub-paragraph.

(5) If the disposal of the relevant interest is not a part disposal, an amount equal to the excess referred to in sub-paragraph (4) above shall be deducted from the amount which, apart from this paragraph, would be the realised development value accruing on the disposal of the relevant interest.

(6) If the disposal of the relevant interest is a part disposal, the relevant fraction of the excess referred to in sub-paragraph (4) above shall be deducted from the amount which, apart from this paragraph, would be the realised development value accruing on the disposal of the relevant interest.

(7) The relevant fraction referred to in sub-paragraph (6) above is that which, for the purposes of the part disposal, was applied (or would, but for paragraph 11 below, have been applied) to the cost of the chargeable person's acquisition of the relevant interest in accordance with paragraph 9 below.

7.—(1) The provisions of this paragraph apply if the chargeable person acquired a part of the relevant interest (in this paragraph referred to as "the stock in trade interest") and the circumstances are such that, if the stock in trade interest continued to exist as a separate entity, section 13 of this Act would have effect in relation to a disposal of it.

(2) Where this paragraph applies, there shall be ascertained the amount which, for the purposes of section 13 of this Act, would be the realised development value attributable to the authorised development if—

(a) the stock in trade interest existed as a separate entity; and

(b) in place of the disposal of the relevant interest there were a disposal at market value of the stock in trade interest; and

(c) on that disposal the relevant base value of the stock in trade interest were derived from that one of the three bases
specified in section 5(1) of this Act which in fact gives the relevant base value of the relevant interest.

(3) Subject to sub-paragraph (4) below, on the disposal of the relevant interest the chargeable person shall not be chargeable to development land tax on so much of the realised development value which accrues on that disposal as is equal to the amount ascertained under sub-paragraph (2) above.

(4) In the application of sub-paragraph (3) above in a case where the disposal of the relevant interest is a part disposal, the amount ascertained under sub-paragraph (2) above shall be treated as reduced by applying to it the fraction which, for the purposes of the part disposal, was applied (or would, but for paragraph 11 below, have been applied) to the cost of the chargeable person’s acquisition of the relevant interest in accordance with paragraph 9 below.

PART II

PART DISPOSALS

8. The provisions of this Part of this Schedule shall have effect where there is a part disposal of an interest in land (in this Part of this Schedule referred to as “the relevant interest”); and in the following provisions of this Part of this Schedule—

(a) any reference to the disposal is a reference to the part disposal of the relevant interest; and

(b) any reference to relevant base value is a reference to that value of the relevant interest for the purposes of the disposal.

9.—(1) Subject to paragraph 11 below, for the purpose of determining the relevant base value (including, in a case where section 6 of this Act applies, the calculation of the amount of the special addition provided for by subsection (2) of that section), the amounts which, apart from this sub-paragraph, would be—

(a) the cost of the chargeable person’s acquisition of the relevant interest, and

(b) the expenditure on relevant improvements or, in relation to base C, on improvements,

shall each be reduced by applying to them the fraction—

$$\frac{PD}{PD + MR},$$

where—

PD is, subject to sub-paragraph (3) below, the net proceeds of the disposal; and

MR is the market value of the retained interest immediately after the disposal.
Where sub-paragraph (1) above applies on the disposal, then, in relation to any subsequent disposal of the retained interest, from the amounts which, apart from this sub-paragraph, would be—

(a) the cost of the chargeable person's acquisition of the retained interest, and

(b) the expenditure on relevant improvements or, in relation to base C, on improvements,

there shall be deducted respectively the amounts which, by virtue of sub-paragraph (1) above were taken, for the purpose specified in that sub-paragraph, to be the cost of the chargeable person's acquisition of the relevant interest and the expenditure on relevant improvements or, in relation to base C, on improvements.

Where the disposal is a disposal—

(a) otherwise than for value, or

(b) for a consideration less than that which might reasonably have been obtained in the open market,

the net proceeds of the disposal shall be determined for the purposes of sub-paragraphs (1) and (2) above as if the consideration for the disposal were the consideration that might reasonably have been obtained in the open market.

Subject to paragraph 11 below, for the purpose of determining the relevant base value, the amount (hereinafter referred to as “CW”) which, apart from this paragraph, would be the current use value of the relevant interest at the date of the disposal shall be reduced by deducting therefrom an amount (hereinafter referred to as “CR”) equal to the current use value immediately after that date of the retained interest.

Subject to paragraph 11 below, for the purpose of determining base A of the relevant interest the amount which, apart from this paragraph, would be the current use value of the relevant interest at the date of its acquisition by the chargeable person or on 6th April 1965, whichever is the later, shall be reduced by applying to it the fraction \( \frac{CW - CR}{CW} \).

Where sub-paragraph (2) above applies on the disposal, then, in relation to any subsequent disposal of the retained interest, so much of the amount referred to in that sub-paragraph as remains after deducting from it the fraction thereof referred to in that sub-paragraph shall be deemed for the purposes of this Act to be the current use value of the retained interest at the date of its acquisition by the chargeable person or on 6th April 1965, whichever is the later.
SCH. 2

11.—(1) If, in a case where the disposal falls within paragraph (b) of subsection (1) of section 3 of this Act, any cost or expenditure which, apart from this paragraph, would fall to be dealt with under the preceding provisions of this Part of this Schedule is wholly referable to the land in which either the granted interest or the retained interest subsists, that cost or expenditure shall be attributed to that interest and shall not be dealt with under paragraph 9 above.

(2) If the current use value, as at the date of the disposal, of the interest disposed of is identifiable without reference to sub-paragraph (1) of paragraph 10 above, that sub-paragraph shall not apply and, for the purposes of the disposal, that current use value shall be treated as the current use value of the relevant interest at that date.

(3) If the current use value of the interest disposed of, as at the date of its acquisition or on 6th April 1965, whichever is the later, is identifiable without reference to sub-paragraph (2) of paragraph 10 above, then,—

(a) for the purposes of the disposal that current use value shall be treated as the current use value of the relevant interest at the date of its acquisition or on 6th April 1965, whichever is the later; and

(b) on a subsequent disposal of the retained interest, a separate current use value shall be established for that interest as at the date of its acquisition or on 6th April 1965, whichever is the later.

PART III

ADDITIONAL PROVISIONS APPLICABLE TO LEASES AND REVERSIONS ON LEASES

12.—(1) In determining the realised development value accruing to the chargeable person on the part disposal of an interest in land which consists of the grant of a lease out of that interest, from the amounts which, apart from this sub-paragraph, would be the market value and the current use value of the retained interest there shall be deducted an amount equal to the value immediately after the grant of the landlord's rights under the lease.

(2) Any reference in this Part of this Schedule to the value at any time of the landlord's rights under a lease is a reference to the value at that time of the rights of the landlord under the lease, exclusive of the right to recover possession at the expiry of the term.

13.—(1) The provisions of this paragraph shall have effect where there is a part disposal of a lease and, where that part disposal consists of the grant of another lease out of that lease, shall have effect in addition to paragraph 12(1) above.
(2) To the amounts which, apart from this sub-paragraph, would be
the market value and the current use value of the retained interest,
there shall be added a sum equal to the value of the landlord's rights
under the lease immediately after the part disposal.

5 (3) In determining the current use value of the lease at the date of
the part disposal or of its acquisition or on 6th April 1965, no account
shall be taken of any liability of the tenant under the lease, other
than the obligation to deliver up possession on the expiry of the
term.

(4) If, at the date of the part disposal, the unexpired term of the
lease is less than 50 years,—

(a) base C shall not be available as the relevant base value of
the lease, and

(b) paragraph (a) of section 5(1) of this Act shall have effect as if,
from the aggregate of the items specified in that para-
graph, there were required to be deducted the amount (if any)
by which the current use value of the lease at the date of
its acquisition or on 6th April 1965, whichever is the later,
exceeds the current use value of the lease at the date of
the part disposal.

14.—(1) Subject to sub-paragraphs (2) and (3) below, for the pur-
oposes of this Act, in the case of the disposal of an interest in land
which, immediately before the disposal, consists of the reversion on a
lease, an amount equal to the value immediately before the disposal
of the landlord's rights under the lease shall be deducted—

(a) from the amount which, apart from this paragraph, would
be the net proceeds of the disposal; and

(b) from the amount which, apart from this paragraph, would
be the current use value of that interest at the date of the
disposal; and

(c) from the amount which, apart from this paragraph, would
be the cost of acquisition of that interest on the occasion
of the disposal.

(2) In the application of sub-paragraph (1) above to a part dis-
posal which falls within section 3(1)(b) of this Act—

(a) paragraph (c) of that sub-paragraph shall have effect with
the substitution of a reference to the cost of acquisition of
the granted interest for the reference to the cost of acquisi-
tion of the interest disposed of; and

(b) the deduction from the amounts referred to in paragraphs
(a) and (c) of that sub-paragraph shall be limited to so
much of the value of the landlord's rights under the lease
as, immediately after the part disposal, is attributable to
the granted interest.
SCH. 2  

(3) In the application of sub-paragraph (1) above to a part disposal falling within section 3(2) of this Act, paragraphs (a) and (c) of that sub-paragraph shall be omitted.

(4) Where there is a part disposal of a reversion on a lease, from the amounts which, apart from this sub-paragraph, would be the market value and the current use value of the retained interest there shall be deducted an amount equal to the value of the landlord’s rights under the lease immediately after the part disposal, so far as those rights are attributable to the retained interest.

(5) If, in the case of such a disposal as is referred to in sub-paragraph (1) above, the interest disposed of was also a reversion on a lease at the date of its acquisition or on 6th April 1965, whichever is the later, then, for the purpose of determining base A of that interest on the disposal, an amount equal to the value on that date of the landlord’s rights under the lease shall be deducted from the amount which, apart from this paragraph, would be the current use value of that interest at that date.

15.—(1) References in this paragraph to a disposal of a lease do not include references to a part disposal thereof but, subject to that, this paragraph shall have effect in determining—

(a) the realised development value accruing to the chargeable person on the disposal of a lease, and

(b) the cost of acquisition of that lease on the occasion of the disposal,

and, where that lease is itself the reversion on another lease, shall have effect in addition to paragraph 14 above.

(2) To the amounts which, apart from this sub-paragraph, would be—

(a) the net proceeds of the disposal of a lease, and

(b) the cost of acquisition of that lease on the occasion of the disposal,

there shall be added a sum equal to the value immediately before the disposal of the landlord’s rights under the lease.

(3) In determining the current use value of a lease at the date of its disposal or of its acquisition or on 6th April 1965, no account shall be taken of any liability of the tenant under the lease, other than the obligation to deliver up possession on the expiry of the term.

(4) Where, at the date of the disposal, the unexpired term of the lease is less than 50 years, paragraphs (a) and (b) of sub-paragraph (4) of paragraph 13 above shall apply as they apply where there is a part disposal of a lease to which that sub-paragraph applies.
16.—(1) The provisions of this paragraph apply where there is a material variation, for the purposes of subsection (5) of section 16 of this Act, of the terms and conditions of a lease; and in this paragraph—

5 “the disposal of the original lease” means the surrender of the lease which, by virtue of paragraph (a) of that subsection is assumed to occur;

“the grant of the new lease” means the part disposal of the landlord’s interest which, by virtue of paragraph (b) of that subsection is assumed to occur; and

10 “the cost of acquisition of the new lease” means the amount which, for the purpose of determining the realised development value accruing on an assignment by the tenant referred to in that subsection of the new lease referred to in paragraph (b) thereof, would be the cost of his acquisition.

(2) If, apart from this sub-paragraph, realised development value would accrue to the chargeable person on the disposal of the original lease, then for the purposes of this Act, other than this sub-paragraph—

20 (a) if the amount which, apart from this paragraph, would be the cost of acquisition of the new lease equals or exceeds the amount of that realised development value, the cost of acquisition of the new lease shall be treated as reduced or, as the case may be, as extinguished by deducting therefrom the amount of that realised development value and, accordingly, no realised development value shall be taken to accrue on the disposal of the original lease; and

(b) if the amount of that realised development value exceeds the amount which, apart from this paragraph, would be the cost of acquisition of the new lease, only the excess shall be treated as realised development value accruing on the disposal of the original lease and the cost of acquisition of the new lease shall be treated, except for the purposes of section 9 of this Act, as nil.

35 (3) Any consideration given by the tenant for the variation referred to in sub-paragraph (1) above shall be treated for the purposes of this Act as referable to the grant of the new lease and not to the disposal of the original lease.

40 (4) Subject to sub-paragraph (5) below if, on the disposal of the original lease, the relevant base value exceeds the net proceeds of the disposal, then, to the amount which, apart from this sub-paragraph, would be the cost of acquisition of the new lease there shall be added an amount equal to that excess.
SCH. 2  (5) In any case where, for the purpose of determining base A on the disposal of an interest in land, subsection (2) of section 6 of this Act applies to determine the amount of a special addition by reference to the whole or any part of the cost of acquisition of the new lease, sub-paragraph (4) above shall not have effect in relation to that cost for the purposes of that determination.

PART IV

PROJECTS OF MATERIAL DEVELOPMENT

17.—(1) Where paragraph 9 of Schedule 1 to this Act applies in determining the market value of an interest in land immediately before a project of material development is begun, then, for the purpose of determining the relevant base value of that interest on the deemed disposal thereof which occurs at that time, it shall be assumed that that interest subsists only in the project land (within the meaning of that paragraph) and all necessary apportionments shall be made under section 4(5) of this Act of—

(a) the cost of the chargeable person’s acquisition of that interest,

(b) the amount of any expenditure on improvements or on relevant improvements,

(c) the current use value of that interest at the date of its acquisition or on 6th April 1965 and at the date of the disposal, and

(d) where any provision of Part III of this Schedule applies, the value which, for the purposes of that Part, is the value at any time of the landlord’s rights under the lease concerned.

(2) In a case where sub-paragraph (1) above applies there shall also be determined the amount which, if that sub-paragraph did not apply, would be the relevant base value of the interest concerned on the deemed disposal referred to in that sub-paragraph, and to the amount which, apart from this sub-paragraph, would be the market value of that interest for the purposes of the immediately following deemed re-acquisition there shall be added an amount equal to that by which the relevant base value of that interest determined in accordance with this sub-paragraph exceeds that relevant base value determined in accordance with sub-paragraph (1) above.

18. In any case where, on the deemed disposal of an interest in land, the relevant base value of that interest exceeds the net proceeds of that disposal, to the amount which, apart from this paragraph, would be the market value of that interest for the purposes of the immediately following deemed re-acquisition there shall be added an amount equal to that excess.
PART V

CONSIDERATION

Preliminary

19. This Part of this Schedule shall have effect with respect to the determination of the consideration both for the disposal and for the acquisition of an interest in land; and, except where the context otherwise requires, any reference in the following provisions of this Part of this Schedule to the consideration for the disposal of an interest in land shall be construed, in relation to the person acquiring that interest, as a reference to the consideration given for the acquisition.

General rules

20.—(1) For the purposes of this Act, the consideration for a disposal shall be brought into account without any discount for postponement of the right to receive any part of it and, in the first instance, without regard to a risk of any part of the consideration being irrecoverable.

(2) If any part of the consideration brought into account in accordance with sub-paragraph (1) above is subsequently shown to the satisfaction of the Board to be irrecoverable, such adjustment, whether by way of discharge or repayment of tax or otherwise, shall be made as is required in consequence.

21.—(1) In determining for the purposes of this Act the consideration for the disposal of an interest in land, no account shall be taken, in the first instance, of any contingent liability assumed by the chargeable person, by the person acquiring the interest or by any other person.

(2) If it is subsequently shown to the satisfaction of the Board that a contingent liability which was not taken into account in determining the consideration for a disposal has become enforceable and is being or has been enforced, such adjustment, whether by way of an additional assessment or the discharge or repayment of tax or otherwise, shall be made as is required in consequence.

22.—(1) From the amount which, apart from this paragraph, would be the consideration for the disposal of an interest in land there shall be deducted an amount equal to any tax which is chargeable on that disposal under the law of a country outside the United Kingdom and which is borne by the chargeable person.

(2) Notwithstanding anything in paragraph 19 above, the deduction in sub-paragraph (1) above shall not apply in determining the amount of the consideration for the acquisition of the interest disposed of.
Rents and other income payments

23. For the purposes of this Act, in the case of a disposition consisting of the grant of a lease, the consideration for the disposal shall be taken to be the aggregate of the capital values at the date of the disposal of—

(a) the right to receive the rent (if any) which, in accordance with the terms of the disposition, is payable in respect of the lease; and

(b) any other consideration which in accordance with those terms is given or agreed to be given for the disposition, whether to the grantor or to any other person.

24. In calculating for the purposes of this Act the capital value at any date of a right to receive rent payable in respect of a lease, it shall be assumed that the lessee under the lease will always pay that rent when it falls due and will perform his other obligations under the lease.

25. Without prejudice to paragraphs 23 and 24 above, if the whole or any part of the consideration for the disposal of an interest in land consists of a rent charge or any other series of payments in the nature of income, then, for the purposes of this Act, that consideration or part thereof shall be taken to be the market value at the date of the disposal of the right to receive that rent charge or other series of payments.

Options

26.—(1) References in this paragraph to an option are references to such an option as is referred to in section 3(4) of this Act and, in relation to an option, references to the grantor are references to the person by whom the option was granted or the person who is for the time being obliged to give effect to the option if it is exercised.

(2) If an option is exercised, the grant of the option and the transaction entered into by the grantor in fulfilment of his obligations under the option shall be treated for the purposes of this Act as a single transaction and accordingly—

(a) if the option binds the grantor to dispose of an interest in land, the consideration for the option is part of the consideration for the disposal; and

(b) if the option binds the grantor to acquire an interest in land, the consideration for the option shall be deducted from the amount which, apart from this paragraph, would be the cost of his acquisition of that interest in pursuance of his obligations under the option.
(3) For the purposes of this Act, the exercise or abandonment of an option by the person for the time being entitled to exercise it shall not constitute the disposal of an interest in land by that person but, if an option is exercised, then the acquisition of the option (whether directly from the grantor or not) and the transaction entered into by the person exercising the option in exercise of his rights under the option shall be treated as a single transaction and accordingly—

(a) if the option binds the grantor to dispose of an interest in land the cost of acquiring the option shall be part of the cost of acquiring that interest; and

(b) if the option binds the grantor to acquire an interest in land, the cost of the option shall be treated as a cost incidental to the disposal of the interest which is acquired by the grantor of the option.

PART VI
INCIDENTAL COSTS

27.—(1) For the purposes of this Act, the incidental costs to a chargeable person of the acquisition of an interest in land or of its disposal shall consist of expenditure falling within sub-paragraph (2) below and wholly and exclusively incurred by him for the purposes of the acquisition or, as the case may be, the disposal.

(2) The expenditure referred to in sub-paragraph (1) above is expenditure on fees, commission or remuneration paid for the professional services of any legal adviser, surveyor, valuer, auctioneer, accountant or agent, and any other costs of conveyance or transfer (including stamp duty) together—

(a) in the case of the acquisition of an interest in land, with costs of advertising to find a seller, and

(b) in the case of the disposal of an interest in land, with costs of advertising to find a buyer and costs reasonably incurred in making any valuation required for the purposes of determining the realised development value accruing to the chargeable person on the disposal, including in particular expenses reasonably incurred in ascertaining market value where required for the purposes of that determination.
Section 5.

SCHEDULE 3

EXPENDITURE ON IMPROVEMENTS

1.—(1) For the purposes of this Act, in relation to a disposal by any person of an interest in land (in this Schedule referred to as "the relevant interest"), expenditure on improvements means, subject to the following provisions of this Schedule, any expenditure wholly and exclusively incurred by that person or on his behalf on or after the date of acquisition of the relevant interest—

(a) for the purpose of enhancing the value of that interest, being expenditure reflected in the state of the land in which that interest subsists or the market value of that interest at the date of disposal; or

(b) in establishing, preserving or defending his title to that interest or his enjoyment of the land by virtue of that interest.

(2) Notwithstanding anything in sub-paragraph (1) above, expenditure incurred in, or in respect of, the carrying out of any work of maintenance, repair or decoration or any similar work of a recurrent nature is not expenditure on improvements.

(3) Where any expenditure incurred as mentioned in sub-paragraph (1) above did not relate exclusively to the land in which the relevant interest subsists, only that proportion of that expenditure which inured for the benefit of that land shall be treated as expenditure on improvements.

2.—For the purposes of this Act, in relation to the disposal of the relevant interest, expenditure on relevant improvements is that part of the expenditure on improvements which remains after deducting therefrom a sum equal to the amount by which, at the date of the disposal, the current use value of the relevant interest has increased as a result of the expenditure on improvements.

3.—(1) Subject to paragraph 5 below, this paragraph applies where,—

(a) on or after the date of acquisition of the relevant interest and before the date of its disposal (in this paragraph referred to as "the material date"), planning permission for the development of the land in which that interest subsists has been granted subject to a condition regulating the development or use of other land in which, at the time of the grant, the chargeable person held an interest (in this paragraph referred to as "the affected interest"), and

(b) the affected interest has not been disposed of on or before the material date and is not disposed of on that date.
(2) Where this paragraph applies—

(a) there shall be ascertained the amount that would have been the current use value of the affected interest on the material date if the condition referred to in sub-paragraph (1)(a) above had not been imposed; and

(b) the amount (if any) by which the current use value determined under paragraph (a) above exceeds the actual current use value of the affected interest on the material date shall be treated for the purposes of this Act as expenditure incurred as mentioned in paragraph 1(1) above.

4. Where paragraph 3 above applies on the disposal of the relevant interest then, subject to paragraph 5 below, on the first disposal thereafter of the interest which was the affected interest for the purposes of paragraph 3 above,—

(a) in determining base A of that interest, paragraph (a) of section 5(1) of this Act shall have effect as if, from the aggregate of the items specified in that paragraph there were required to be deducted whichever is the smaller of the amount referred to in paragraph 3(2)(b) above and the amount (if any) by which the current use value of that interest at the date of its acquisition or on 6th April 1965, whichever is the later, exceeds the current use value of that interest at the date of the disposal; and

(b) base C shall not be available as the relevant base value of that interest.

5.—(1) If, in a case where paragraph 3 above applied on the disposal of the relevant interest, the condition referred to in sub-paragraph (1)(a) of that paragraph is varied within the period of six years beginning on the date of that disposal, that paragraph shall be taken always to have applied with the condition in the form in which it is as varied.

(2) If, in a case where paragraph 3 above applied on the disposal of the relevant interest, the condition referred to in sub-paragraph (1)(a) of that paragraph is removed within the period of six years referred to in sub-paragraph (1) above, paragraph 3 above shall be taken never to have applied in relation to that disposal.

(3) All such adjustments with respect to liability to development land tax shall be made as may be necessary in consequence of the provisions of sub-paragraphs (1) and (2) above.
Section 7

SCHEDULE 4

DEVELOPMENT EXCLUDED FROM MATERIAL DEVELOPMENT

1.—(1) To the extent that any of the following activities constitutes development, they do not constitute material development for the purposes of this Act, namely,—

(a) the carrying out of works for the maintenance, improvement, enlargement or other alteration of any building, so long as the cubic content of the original building is not exceeded by more than one-tenth;

(b) the carrying out of works for the rebuilding, as often as occasion may require, of any building which was in existence at the relevant time, or of any building which was in existence in the period of 10 years immediately preceding the day on which that time falls but was destroyed or demolished before the relevant time; so long as (in either case) the cubic content of the original building is not exceeded by more than one-tenth;

(c) the carrying out on any land used for the purposes of agriculture or forestry of any building or other operations required for the purposes of that use;

(d) the carrying out of operations on land for, or the use of land for, the display of an advertisement;

(e) the carrying out of operations for, or the use of land for, car parking, provided that such use shall not exceed 3 years;

(f) in the case of a building or other land which at the relevant time was used for a purpose falling within any class specified in paragraph 3 below or which, being unoccupied at that time, was last used for any such purpose, the use of that building or other land for any other purpose falling within the same class;

(g) in the case of a building or other land which at the relevant time was in the occupation of a person by whom it was used as to part only for a particular purpose, the use for that purpose of any additional part of the building or land not exceeding one-tenth of the cubic content of the part of the building used for that purpose at the relevant time or, as the case may be, one-tenth of the area of the land so used at that time;

(h) in the case of land which at the relevant time was being temporarily used for a purpose other than the purpose for which it was normally used, the resumption of the use of the land for the last-mentioned purpose; and
in the case of land which was unoccupied at the relevant time, the use of the land for the purpose for which it was last used before that time.

(2) Any reference in sub-paragraph (1) above to the relevant time shall be construed as follows:

(a) in any case where the question whether development is or is not material development is relevant to the determination of the current use value of any interest in land, any such reference is a reference to the time as at which that current use value falls to be determined; and

(b) in any case where the question whether development is or is not material development is relevant in determining whether a project of material development is begun on any land, any such reference is a reference to the time at which any specified operation, within the meaning of Schedule 1 to this Act, is begun on that land or any part of it.

(3) For the purposes of paragraphs (a) and (b) of sub-paragraph (1) above,—

(a) where any development extends to two or more buildings within the same curtilage, those buildings may be regarded as a single building; and

(b) where two or more buildings within the same curtilage result from the carrying out of development of a single building, the new buildings may together be regarded as a single building.

2.—(1) In determining for the purposes of sub-paragraph (1)(a) or sub-paragraph (1)(b) of paragraph 1 above whether or not the cubic content of the original building has been exceeded by more than one-tenth, the cubic content of the building after the carrying out of the work in question shall be treated as reduced by the amount (if any) by which so much of that cubic content as is attributable to one or more of the matters mentioned in sub-paragraph (2) below exceeds so much of the cubic content of the original building as was attributable to one or more of the matters so mentioned.

(2) The matters referred to in sub-paragraph (1) above are the following, that is to say,—

(a) means of escape in case of fire;

(b) car-parking or garage space;

(c) accommodation for plant providing heating, air-conditioning or similar facilities.

(3) In relation to a building erected after 1st July 1948, being a building resulting from the carrying out of any such works as are described in sub-paragraph (1)(a) or sub-paragraph (1)(b) of paragraph 1 above, any reference in this Schedule to the original building is a
reference to the building in relation to which those works were carried out and not to the building resulting from the carrying out of those works.

3. The classes of purposes mentioned in paragraph 1(1)(f) above are the following:

Class A—Use as a dwelling-house or for the purpose of any activities which are wholly or mainly carried on otherwise than for profit, except use for a purpose falling within Class B, C or E:

Class B—Use as an office or retail shop:

Class C—Use as a hotel, boarding-house or guest-house or as premises licensed for the sale of intoxicating liquors for consumption on the premises:

Class D—Use for the purpose of any activities wholly or mainly carried on for profit, except—

(a) use as a dwelling-house or for the purposes of agriculture or forestry; and

(b) use for a purpose falling within Class B, C or E:

and

Class E—Use for any of the following purposes, namely,—

(a) the carrying on of any process for or incidental to any of the following purposes, namely,—

(i) the making of any article or of any part of any article, or the production of any substance;

(ii) the altering, repairing, ornamenting, finishing, cleaning, washing, packing or canning, or adapting for sale, or breaking up or demolishing of any article; or

(iii) without prejudice to sub-paragraphs (i) and (ii) above, the getting, dressing or treatment of minerals,

being a process carried on in the course of a trade or business other than agriculture or forestry, but excluding any process carried on at a dwelling-house or retail shop;

(b) storage purposes (whether or not involving use as a warehouse or repository) other than storage purposes ancillary to a purpose falling within Class B or C.

4. In determining for the purposes of sub-paragraph (1)(g) of paragraph 1 above what part of a building or other land was used by a person for a particular purpose at the relevant time, there shall be disregarded any part of that building or land which was not used for that purpose on 1st July 1948 or the date on which any part of that building or land first began to be used for that purpose, whichever is the later.
5.—(1) In this Schedule, unless the context otherwise requires—

"article" means an article of any description;

"forestry" includes afforestation;

"minerals" includes all minerals and substances in or under

land of a kind ordinarily worked for removal by under­
ground or surface working;

"retail shop" includes any premises of a similar character where

retail trade or business (including repair work) is carried on;

"substance" means any natural or artificial substance or

material, whether in solid or liquid form or in the form of

gas or vapour.

(2) Any reference in this Schedule to the cubic content of a build­
ing is a reference to that content as ascertained by external measure­
ment.

(3) In the preceding provisions of this Schedule, any expression to

which a meaning is assigned by the relevant planning enactment and

which—

(a) is not defined in sub-paragraph (1) above, and

(b) is not otherwise defined for the purposes of this Act,

has the same meaning as in that enactment.
SCHEDULE 5

AUTHORISED DEVELOPMENT

1. For the purpose of determining what planning permission was in force on 12th September 1974 with respect to any land, a determination made by the Secretary of State before the date of the relevant disposal and after 12th September 1974 on an appeal under the appeals provision against a decision of a planning authority made (or, for the purposes of the appeal, treated as made) before that date shall be treated for the purpose of the principal section as having been made immediately before that date.

2. Where planning permission in force on 12th September 1974 was outline planning permission only, then, for the purposes of the principal section, the development of the land concerned which is to be treated as authorised by that permission is any development which—

(a) on that date was authorised by the permission without any requirement as to subsequent approval, or

(b) was not so authorised on that date but was either—

(i) development for which, on the date of the relevant disposal, approval had been granted in the manner applicable to that planning permission, or

(ii) development for which, on 12th September 1974, approval might reasonably have been expected to be granted in that manner, not being development for which, on the date of disposal, approval had been refused in that manner.

3. On the disposal of an interest in land for which planning permission granted for a limited period was in force on 12th September 1974, that permission shall be treated, for the purposes of the principal section, as having ceased to be in force before that date unless it was also in force on the date of disposal.

4. In this Schedule—

(a) “the appeals provision” means—

1971 c. 78. (i) in England and Wales, section 36 of the Town and Country Planning Act 1971,

1972 c. 52. (ii) in Scotland, section 33 of the Town and Country Planning (Scotland) Act 1972,

S.I. 1972/1634 (N.I. 17). (iii) in Northern Ireland, Article 23 of the Planning (Northern Ireland) Order 1972;

(b) “the relevant disposal” has the same meaning as in the principal section;
(c) "the principal section" means section 13 of this Act;

(d) references to a planning authority shall be construed—

(i) in England and Wales, as references to a local planning authority and as if this Schedule were included in the Town and Country Planning Act 1971, and

(ii) in Northern Ireland, as references to the Department of Housing, Local Government and Planning; and

(e) references to the Secretary of State shall be construed, in Northern Ireland, as references to the planning appeals commission.
Preliminary

1. In this Schedule—
   "chargeable realised development value" means realised development value on which development land tax is in fact chargeable;
   a "DLT disposal" means a disposal (within the meaning of this Act) of an interest in land;
   a "CGT disposal" means a disposal, for the purposes of tax on chargeable gains, of an asset consisting of an interest in land; and
   a "trading disposal" means a disposal of an interest in land where the proceeds of the disposal fall to be included in the computation of the profits or gains of a trade or business carried on by any person.

Reduction of chargeable gain by reference to realised development value

2.—(1) Subject to the following provisions of this paragraph, if chargeable realised development value accrues to any person on a DLT disposal and that disposal is also a CGT disposal on which a chargeable gain accrues (or would but for this Schedule accrue) to any person, then, for the purposes of capital gains tax or, as the case may require, corporation tax on chargeable gains, a sum equal to the amount of that chargeable realised development value shall be deducted from the amount which, apart from this Schedule, would be the amount of the chargeable gain.

(2) If, in a case where sub-paragraph (1) above applies on a disposal of the relevant interest (in this paragraph referred to as "the primary disposal"), the sum which is the consideration for the purposes of the DLT disposal (in this paragraph referred to as "CD") exceeds the sum which is the consideration for the CGT disposal, as determined for the purposes of tax on chargeable gains, for the reference in sub-paragraph (1) above to the amount of the chargeable realised development value which accrues on the disposal there shall be substituted a reference to the fraction of that realised development value of which the numerator is the consideration for the CGT disposal, as so determined, and the denominator is CD.

(3) Subject to sub-paragraph (5) below—
   (a) where sub-paragraph (2) above has had effect on a disposal of the relevant interest (in this paragraph referred to as "the primary disposal"), and
(b) there is a subsequent disposal (in this paragraph referred to as "the later disposal") of the whole or any part of the relevant interest which is either a CGT disposal alone or both a DLT disposal and a CGT disposal,

then, if the later disposal is not also a DLT disposal it shall be treated as such for the purposes of this paragraph and (in every case) there shall be treated, for the purposes of sub-paragraph (1) above, as accruing on the later disposal, in addition to any chargeable realised development value which in fact accrues on that disposal, such proportion of the chargeable realised development value which accrued on the primary disposal as is represented by the difference between the fraction of that value appropriate to the later disposal and the fraction thereof appropriate to the last preceding disposal of the relevant interest (whether that is the primary disposal or a subsequent disposal).

(4) For the purposes of this paragraph, in relation to the chargeable realised development value which accrued on the primary disposal, the fraction appropriate to the primary disposal is the fraction determined under sub-paragraph (2) above, and the fraction appropriate to any subsequent disposal of the relevant interest is that fraction of which the numerator is CA and the denominator is CD where "CA" is the aggregate of the following, as determined for the purposes of tax on chargeable gains, namely,—

(a) the consideration for the primary disposal;

(b) the consideration for the subsequent disposal; and

(c) the consideration for any disposal of the relevant interest which occurred between the primary disposal and the subsequent disposal.

(5) On the occasion of the first disposal of the relevant interest where the fraction which, in accordance with sub-paragraph (4) above, is appropriate to the disposal is or exceeds unity,—

(a) sub-paragraph (3) above shall have effect in relation to the disposal as if for the words "as is represented by the difference between the fraction of that value appropriate to the later disposal and " there were substituted the words "as remains after deducting therefrom"; and

(b) on any subsequent disposal of the relevant interest no further proportion of the chargeable realised development value which accrued on the primary disposal shall be added in accordance with sub-paragraph (3) above.

(6) The deduction from the amount of a chargeable gain which is provided for by sub-paragraph (1) above shall be applied to the amount of that gain—

(a) before making any reduction under section 34 of the Finance 1965 c. 25. Act 1965 (transfer of business on retirement) or under any
other enactment providing for relief by reference to the aggregate of a loss and a gain or of two or more gains or losses, and

(b) before making any adjustment under section 38(2) of that Act (unit trusts: in certain cases only one-tenth of gains to be chargeable gains), under the proviso to section 208(2) of the Income and Corporation Taxes Act 1970 (partially approved superannuation funds: part of gain not to be chargeable gain) or under section 21(7) of the Finance Act 1970 (investments held partially for purposes of certain retirement benefit schemes: part of gain not to be chargeable gain), and

(c) before making any reduction under section 93 of the Finance Act 1972 (reduction in amount of chargeable gains to be included in company's total profits),

but after taking account of any other provision affecting the determination of the amount of any chargeable gain.

(7) Subject to paragraph 4 below, in any case where the sum referred to in sub-paragraph (1) above is greater than the amount from which, by virtue of that sub-paragraph, it falls to be deducted, it shall be treated for the purposes of this paragraph as equal to that amount.

3.—(1) If chargeable realised development value accrues to any person on a DLT disposal which is a deemed disposal and, accordingly, does not constitute a CGT disposal of the interest in question and that deemed disposal is followed by a CGT disposal (in this paragraph referred to as "the subsequent disposal") of that interest or any part of it, then,—

(a) if the subsequent disposal is not also a DLT disposal, it shall be treated as such for the purposes of paragraph 2 above; and

(b) whether or not paragraph (a) above applies, the chargeable realised development value which accrued on the earlier DLT disposal shall be treated for the purposes of paragraph 2 above as accruing on the subsequent DLT disposal (in addition to any chargeable realised development value which in fact accrues or is otherwise treated as accruing on that disposal); and

(c) whether or not paragraph (a) above applies, the consideration for the purposes of the subsequent DLT disposal shall be treated for the purposes of sub-paragraph (2) of paragraph 2 above as equal to the aggregate of the consideration for the earlier DLT disposal and the amount of any expenditure on improvements.

(2) The reference in paragraph (c) of sub-paragraph (1) above to the amount of any expenditure on improvements is a reference to
what would be that amount for the purposes of a DLT disposal of the interest which is the subject matter of the subsequent disposal, being a DLT disposal occurring contemporaneously with the subsequent disposal.

5 4.—(1) If, in a case where paragraph 2(1) above applies on the disposal of an interest in land,—

(a) section 33 of the Finance Act 1965 (replacement of business assets) applies in relation to the CGT disposal in such circumstances that the interest disposed of constitutes or is included among the old assets, and

(b) the chargeable realised development value referred to in that paragraph is greater than the chargeable gain, if any, which, apart from this Schedule, would accrue on the disposal,

paragraph 2(7) above shall not apply and, subject to sub-paragraph (2) below, the amount by which that chargeable realised development value exceeds that chargeable gain (in this paragraph referred to as “the unapplied balance of chargeable development value”) shall be carried forward from the disposal and applied in accordance with the provisions of this paragraph.

(2) If, in a case falling within sub-paragraph (1) above, the chargeable realised development value referred to in paragraph 2(1) above exceeds what would be the amount of the chargeable gain accruing on the disposal in question if section 33 of the Finance Act 1965 did not apply, the chargeable realised development value shall be treated for the purposes of sub-paragraph (1) above and the following provisions of this paragraph as equal to that amount.

(3) Subject to sub-paragraph (4) below, the unapplied balance of chargeable development value shall be set off against the amount of any chargeable gain which (apart from this paragraph) would accrue on a subsequent CGT disposal of the new assets and, if the unapplied balance is greater than the amount of any such chargeable gain, the remainder shall again be carried forward to set off against subsequent chargeable gains accruing on the disposal of further replacement assets, and so on until the whole of the balance is exhausted.

(4) If, in a case falling within sub-paragraph (1) above, section 33 of the Finance Act 1965 has effect subject to the provisions of paragraph 16 of Schedule 19 to the Finance Act 1969 (depreciating assets) in such circumstances that the whole or any part of the chargeable gain referred to in sub-paragraph (2) of that paragraph accrues in accordance with that sub-paragraph,—

(a) the unapplied balance of chargeable development value shall be set off against the amount of any chargeable gain which accrues as mentioned in that sub-paragraph; and
(b) if the unapplied balance is greater than the amount of any such chargeable gain and part of the postponed gain is carried forward to asset No. 3 under sub-paragraph (3) of that paragraph, the remainder of the unapplied balance shall be dealt with under sub-paragraph (3) above.

(5) In any case where, by virtue of sub-paragraph (3) or sub-paragraph (4) above, the unapplied balance of chargeable development value or any part of it falls to be set off against the amount of a chargeable gain, a sum equal to that unapplied balance or part thereof shall be deducted from the amount which, apart from this paragraph, would be the amount of the chargeable gain and, if the unapplied balance or part thereof exceeds that amount, the chargeable gain shall be extinguished.

(6) In this paragraph “the old assets” and “the new assets” have the same meaning as in section 33 of the Finance Act 1965 and “asset No. 3” has the same meaning as in paragraph 16 of Schedule 19 to the Finance Act 1969.

Reduction of profits or gains by preference to realised development value

5.—(1) If chargeable realised development value accrues to any person on a DLT disposal and that disposal is also a trading disposal, then, in computing the profits or gains of the trade in question for the year of assessment or accounting period in which the disposal occurs, a sum equal to the amount of that chargeable realised development value shall be allowable as a deduction.

(2) If, in a case where sub-paragraph (1) above applies on the disposal of an interest in land (in this paragraph referred to as “the relevant interest”) the sum which is the consideration for the purposes of the DLT disposal (in this paragraph referred to as “CD”) exceeds the consideration for the trading disposal (in this paragraph referred to as “CT”), as brought into account in computing the profits or gains referred to in sub-paragraph (1) above, for the reference in that sub-paragraph to the amount of the chargeable realised development value which accrues on the disposal there shall be substituted a reference to the fraction of that realised development value of which the numerator is CT and the denominator is CD.

(3) Sub-paragraphs (3) to (5) of paragraph 2 above shall have effect in relation to sub-paragraphs (1) and (2) above—

(a) as if any reference therein to sub-paragraph (1) or sub-paragraph (2) of that paragraph were a reference to sub-paragraph (1) or, as the case may be, sub-paragraph (2) of this paragraph; and
(b) as if, in sub-paragraph (4), for the words "as determined for the purposes of tax on chargeable gains" there were substituted the words "as brought into account in computing the profits or gains of the trade in question for the year of assessment or accounting period in which each disposal occurs".

6.—(1) If chargeable realised development value accrues to any person on a DLT disposal which is a deemed disposal and, accordingly, does not constitute a trading disposal of the interest in question and that deemed DLT disposal is followed by a trading disposal (in this paragraph referred to as "the subsequent disposal") of that interest or any part of it, then,—

(a) if the subsequent disposal is not also a DLT disposal, it shall be treated as such for the purposes of paragraph 5 above; and

(b) whether or not paragraph (a) above applies, the chargeable realised development value which accrued on the earlier DLT disposal shall be treated for the purposes of paragraph 5 above as accruing on the subsequent DLT disposal (in addition to any chargeable realised development value which in fact accrues or is otherwise treated as accruing on that disposal); and

(c) whether or not paragraph (a) above applies, the consideration for the purposes of the subsequent DLT disposal shall be treated for the purposes of sub-paragraph (2) of paragraph 5 above as equal to the aggregate of the consideration for the earlier DLT disposal and the amount of any expenditure on improvements.

(2) The reference in paragraph (c) of sub-paragraph (1) above to the amount of any expenditure on improvements is a reference to what would be that amount for the purposes of a DLT disposal of the interest which is the subject matter of the subsequent disposal, being a DLT disposal occurring contemporaneously with the subsequent disposal.
APPENDIX B

DEVELOPMENT LAND TAX

Notes on Draft Legislation

General

1. References in the draft clauses to the Community Land Act 1975 are references to the text of the Community Land Bill, as amended by Standing Committee G.

2. The draft clauses and Schedules do not fully reflect differences between the land law applicable in England and Wales and that applicable in Scotland or in Northern Ireland.

Clause 1. The charge to tax

Subsection (1) imposes the Development Land Tax (DLT) on development value realised from land in the United Kingdom.

Subsection (2). A person who disposes of an interest in land (including buildings) on or after the appointed day will be chargeable to DLT on the realised development value. Although the land must be in the United Kingdom, the charge will apply whether or not the person is resident there.

Subsection (3) imposes tax at the rate of 80 per cent.

Clause 2. Deemed disposals at start of material development

This clause makes the start of a project of material development (see Clause 7(4) and Schedule 4) an occasion for charging DLT.

Subsection (1). Immediately before such a project is begun (see paragraph 2, Schedule 1) on any land, every major interest in the land is to be treated as having been disposed of, and then immediately reacquired, at market value.

Subsection (2) gives effect to Schedule 1, which defines a project of material development and contains other supplementary provisions.

Subsection (3) defines a major interest in land so as to exclude a freehold or leasehold reversion which is subject to a long lease (i.e., one with at least 50 years to run) if the rent or any premium to which the interest holder may be entitled does not, and cannot be made to, reflect the value of the development. An interest in land which is not that of a freeholder or leaseholder (e.g., the right to a wayleave or the right to enforce a restrictive covenant) will also be excluded if its market value is less than £5000.

Subsection (4) makes adaptations to subsection (3) in its application to Scotland.

Subsection (5) gives rules for ascertaining, for the purposes of this clause only, the unexpired term of a lease or agreement for a lease. These rules are based on those contained in Section 84 of the Income and Corporation Taxes Act 1970. The term will normally be the period for which the lease was granted but if, by reference to the facts at the time material
development started, it seems likely that the lease would run for a different term, then the lease will be treated as having been granted for that term.

Clause 3. Part disposals

This clause contains rules about part disposals of interests in land. See also Part II of Schedule 2.

Subsection (1). Any reference to a disposal of an interest in land is to include a reference to disposal of part of that interest. A part disposal may be the grant of an inferior interest in the whole or part of the land (e.g., the grant of a lease out of a freehold interest) (paragraph (a)) or the disposal of a part of the land (paragraph (b)).

Subsection (2). There is a part disposal of an interest in land whenever the owner of that interest derives any sum (other than sums falling within (1) above) by virtue of his ownership, even though the person making payment to the owner does not himself acquire an interest in the land in exchange for his payment. Examples of the sums to which this subsection applies are:

— under paragraph (a), compensation paid for injurious affection of land, for infringement of ancient lights, for damage to the land or for revocation of a planning permission;
— under paragraph (b), payments received for granting or releasing a restrictive covenant;
— under paragraph (c), sums received for the granting of wayleaves, or for the grant of a licence to take sand or gravel.

Subsection (3). Defines "sum" for the purposes of subsection (2).

Subsection (4). The grant of an option does not constitute a part disposal but rather the creation of a separate interest in land (see also Schedule 2, paragraph 26).

Subsection (5) defines "retained interest" and "granted interest" in relation to part disposals. These expressions are important for the purposes of Part II of Schedule 2.

Clause 4. Realised development value

This clause provides the method of calculating realised development value, on which DLT is chargeable.

Subsection (1) defines realised development value as the excess of the net proceeds of the disposal over the "relevant base value" (see Clause 5).

Subsection (2) defines chargeable person.

Subsection (3) defines net proceeds of disposal as consideration (Part V, Schedule 2) less incidental costs (Part VI, Schedule 2). In the case of leases and reversions, this figure is subject to adjustment under Part III, Schedule 2.
Subsection (4) gives effect to the supplementary provisions concerning realised development value which are contained in Schedule 2 and allows regard to be paid to pre-appointed day events.

Subsection (5). Where no specific rules are provided for apportioning consideration, expenditure or value, this subsection authorises such apportionment to be made as is just and reasonable.

Subsection (6) guards against double deductions in arriving at the amount of any realised development value.

**Clause 5. Relevant base value**

This clause prescribes the base values which may be used in calculating realised development values.

Subsection (1). In general, the highest of the following three bases values is to be used:—

Base A: The aggregate of cost of acquisition of the interest in land, expenditure on relevant improvements (see note on subsection (4) below), increase in current use value since date of acquisition (or 6 April 1965, if later) and the special addition where applicable (see Clause 6).

Base B: The aggregate of (i) 100 per cent of current use value and (ii) expenditure on relevant improvements.

Base C: 110 per cent of the aggregate of cost of acquisition and expenditure on improvements.

Subsection (2). Where the interest in land was acquired before 1 July 1948, only base B is available.

Subsection (3) defines the cost of acquisition of an interest in land as the amount or value of the consideration which was given wholly and exclusively for that interest, together with the incidental costs of the acquisition. Incidental costs are defined in Schedule 2, paragraph 27.

Subsection (4) introduces the rules in Schedule 3 for determining amounts of expenditure on improvements and relevant improvements.

Subsection (5). Expenditure which is met directly or indirectly from Government or public or local authority funds is not to count as expenditure by the person disposing of the interest.

**Clause 6. Special addition to base A**

Subsections (1) and (2). Where base A is applicable the acquisition cost may be enhanced by a special addition. If the interest in land was held at 12 September 1974, the addition is 15 per cent of the acquisition cost for each year or part of a year of ownership up to the time development value is realised, subject to a maximum of 60 per cent. Where the interest in land is acquired after 12 September 1974 but before 1 May 1977, the addition is 10 per cent for each year or part of a year, subject to a maximum of 40 per cent.
Subsection (3). The special addition is calculated by reference to the period of ownership. Part years are treated as if they were full years.

Subsection (4). Where there has been a deemed disposal and reacquisition on the occasion of the commencement of material development, no special addition is given on that deemed reacquisition cost.

Subsections (5) and (6). Where on a deemed disposal the relevant base value exceeds the net proceeds of disposal (e.g., where the temporary or partial development of an interest in land does not fully realise its inherent development value) the special addition provided for in the Clause will continue to run beyond the date of deemed reacquisition on part of the acquisition cost. This part is found by multiplying the original acquisition cost by a fraction whose numerator is the “loss” arising on the temporary or partial development (i.e., the amount by which the relevant base value exceeds the net proceeds of disposal arising from the project of material development) and whose denominator is the base value. On a subsequent disposal this part will carry special addition from the date of actual acquisition, reduced by any addition applicable to that part already taken into account on the occasion of the deemed disposal.

Clause 7. Market value, current use value and material development

Subsection (1) defines the market value of an interest in land as the consideration that might reasonably be obtained on its sale in the open market.

Subsections (2) and (3). Define “current use value” as the value of the interest in land in the open market, assuming that it was and would continue to be unlawful to carry out any material development (other than the right to complete any development fully authorised by planning permission which was started before that time).

Subsection (4) contains a special rule for arriving at current use value where the receipt of compensation etc. is treated as a part disposal. The current use value of the interest in respect of which the compensation is paid is to be the value which would have applied if the circumstances causing the compensation to be received had not arisen (i.e., the undamaged current use value).

Subsection (5). The market and current use values of an interest in land are to be determined as if the land were free from any security which may be charged upon it.

Subsection (6) defines “material development” as any development which is neither covered by a general development order not excluded from being material development by Schedule 4.

Clause 8. Devolution on Death

DLT is not charged when an interest in land passes on an owner's death to the personal representatives or any other person not beneficially entitled to the interest. On a subsequent disposal of the interest, the personal
representatives etc. will have the base value that would have been available to the deceased person.

Clause 9. Interests in land acquired by gift or at under-value

Subsection (1) is introductory.

Subsection (2). Where a person disposes of an interest in land which he has acquired otherwise than for value (i.e., by gift or inheritance), his acquisition cost is taken to be the acquisition cost of the previous owner including special addition; any expenditure on improvements or relevant improvements incurred by the donor is also attributed to the present owner. Similarly, the current use value at the previous owner's date of acquisition (or 6 April 1965, if later) will be available for determining the relevant base value of the present owner. Special addition (see Clause 6) will cease to run following a disposal otherwise than for value.

Subsection (3). On the disposal of an interest in land acquired otherwise than for value on or after 1 July 1948, the chargeable person is to be treated as having acquired it on the date of acquisition by the previous owner.

Subsection (4). On the disposal of an interest in land at an under-value, the general rule is that the disposer's liability and the acquirer's base will follow the facts. But if the new owner is a charity (or one of the bodies listed in paragraph 12, Schedule 6, Finance Act 1975) and on a subsequent disposal the application of the rule set out in subsection (2) above would provide a higher base value than would otherwise be the case, that higher base value may be used (i.e., it may be treated as if it were an outright gift).

Subsection (5) provides that an acquisition of an interest in land is not to be treated as a gift, even if no consideration was given, if for DLT purposes an amount has to be added to the cost of acquisition. (See the note on Part III of Schedule 2).

Clause 10. Bodies exempt from DLT

This Clause lists the authorities which are exempt from DLT when they realise development value.

Clause 11. Exemption for first £5000 of development value

Subsection (1). An individual or company will not be chargeable to DLT on realised development value which in any financial year (i.e., the year ending 31 March) does not amount to more than £5000.

Subsection (2). If an individual's or company's realisations of development value exceed £5000 in any financial year, the first £5000 "slice" will be exempt from DLT.

Subsection (3). Where there is more than one realisation of development value, the £5000 "slice" will be allocated primarily to the first realisation in point of time, any balance to the second and so on.
Subsection (4). The Inland Revenue statement of 4 February 1975 (see, for example, paragraphs 45 to 48) announced that in certain circumstances (not yet reflected in the draft clauses) the commencement of a project of material development would not be an occasion of charge, but that DLT would be chargeable on a subsequent occasion, such as the sale of the property. This subsection specifies that for the purpose of the entitlement to the £5000 exemption, the development value realised by carrying out the project is to be treated as having accrued at the end of the financial year in which the project was commenced; any part of his £5000 “slice” still available for that year may therefore be set against that development value.

Subsection (5). The trustees of a settlement will be entitled, as a body, to the £5000 exemption, quite separately from the exempt “slices” to which the individual trustees will be entitled in their private capacities.

Subsection (6). For any financial year during the whole of which a married man has his wife living with him, the husband and wife have the exempt slice of £5000 between them. Within that limit any amount of the slice can be allocated to either husband or wife and where each realises development value during the year the exempt slice is allocated in order of time.

Subsection (7) provides special rules for partnerships. For DLT a partnership is treated as a single individual with an exemption limit of £5000. For this purpose a change in the membership of the partnership is to be disregarded if an election could be made for the continuation basis of assessment for income tax purposes, whether or not an election is in fact made. (See also Clause 19).

Clause 12. Private residences

Subsection (1) sets out the general principle that no DLT is chargeable on the realisation of development value from the disposal of an individual’s private residence, or land which forms part of that residence.

Subsection (2) defines private residence as the individual's sole or main residence at the date of disposal, together with land which he has for his own occupation and enjoyment with that residence as its garden or grounds up to an area (inclusive of the site of the house) of one acre. Where the area of the house and grounds exceeds one acre the exempt part is to be that which is most suitable for occupation and enjoyment with the house.

Subsection (3). An individual will be eligible for the private residence exemption if at the date of disposal he has owned the house for at least 6 months and has occupied it either for 12 months out of the last 2 years or, if he has owned it for less than 2 years, for at least half the period of ownership subject to a minimum period of at least 6 months. (Subsections (7) and (8) deal with cases where the owner has died.)

Subsection (4) excludes from the private residence exemption any realised development value accruing from any part of the house which has been used exclusively for business purposes.
Subsection (5). If during the period of ownership changes have occurred either to the house itself or in the part, if any, used for business purposes, the relief given by this section may be adjusted in a just and reasonable manner.

Subsection (6) gives the exemption in cases where trustees dispose of a house which has been the only or main residence of a person entitled to occupy it under the terms of the settlement or entitled to the whole of the income from or the sale proceeds of that house.

Subsection (7). If up to the date of his death a deceased person had satisfied the conditions for the private residence exemption, his personal representatives will enjoy the same exemption provided that they dispose of the house within 2 years of his death.

Subsection (8). A deceased person may be regarded as having been eligible for the private residence exemption at the date of his death, even though he had not owned nor occupied his residence for at least 6 months. The other tests in subsection (3) must be satisfied.

Subsection (9). The period of ownership begins when an individual first acquires an interest in the land entitling him to possession.

Clause 13. Development of land held as stock in trade

Subsection (1). An individual or company is exempt from DLT in respect of development value realised from an interest in land held as stock in trade on 12 September 1974 with planning permission in force at that date. (For this purpose, outline planning permission will normally suffice—see Schedule 5).

Subsection (2). The exemption referred to in subsection (1) is limited to the amount of any development value which could have been realised at the date of disposal within the terms of that planning permission.

Subsections (3) and (4). Where the interest in land referred to in subsection (1) is an option which has been exercised, the amount of development value which could be realised is calculated on the assumption that that option was still in existence at the date of disposal. Where the interest is a lease which before the date of disposal, has merged into the interest being disposed of, the development value which could be realised is calculated on the assumption that, at the date of disposal, the lease was still in existence (provided that it would not have expired by the date of disposal).

Subsections (5) to (7). Where an interest in land devolves on the personal representatives of a deceased person or is acquired by gift or inheritance, the previous owner’s stock in trade exemption is not lost.

Subsection (8). An interest in land is deemed to be stock in trade if, on the sale of such interest at 12 September 1974, the sale proceeds would have been included in the profits or gains of a trade carried on by the person having the interest.

Subsection (9). (a) The stock in trade exemption extends to land
acquired under a conditional contract entered into on or before 12 September 1974.

(b) gives effect to Schedule 5.

Clause 14. Exemptions related to projects of material development

Subsection (1). DLT will not be chargeable on the deemed disposal of an interest in land at the start of a project of material development if that development is "excluded development" or certain conditions (defined in subsection (3) below) are satisfied.

Subsection (2). "Excluded development" is (a) development which is not relevant development for the purposes of the Community Land Act by virtue of section 4 of that Act (exemption for certain dwelling houses built by landowners for occupation by themselves or members of their families); and (b) development in Northern Ireland which would come within section 4 of that Act if it extended to Northern Ireland.

Subsection (3). Where it can be shown that no significant amount of development value would have been realised if a project of material development had commenced immediately after the acquisition of an interest in land, no DLT will be charged in respect of that interest when the project in fact commences provided that the commencement is within 2 years of acquisition.

Subsections (4) to (7) set out the procedure for obtaining a notice from the Board, stating that a project will qualify for exemption under subsection (3).

Clause 15. Interaction with other taxes

Subsection (1) introduces Schedule 6 which deals with the interaction of DLT with other taxes. The draft schedule in Appendix A does not cover sub-heads (c) and (d), nor the method of giving relief in cases under sub-heads (a) and (b) when the DLT occasion comes after the occasion giving rise to another tax. (See also the note on Schedule 6.)

Subsection (2) precludes a deduction for DLT in computing business profits.

Clause 16. Duration of leases: effect of extensions, terminations and variations

Subsection (1) provides the general rule for determining the duration of a lease, namely that it is to be assumed that the tenant will exercise any option he has to extend its terms. (There are, however, separate rules for determining the duration of a lease for the purpose of deciding whether, under Clause 2, a lease is a major interest in land.)

Subsection (2). If a lease continues beyond its presumed expiry date (see subsection (4)), the landlord is to be treated as having partly disposed of his interest by granting on the following day a new lease on conditions which accord with the facts.
Subsection (3). If a lease terminates on a day before its presumed expiry date, the tenant is to be regarded as having surrendered it to the landlord on that day.

Subsection (4). The presumed expiry date is to be the end of the term found by Clause 16(1).

Subsection (5). On the material variation of a lease (see subsection (6)), the tenant is to be assumed to have surrendered the lease and the landlord to have partly disposed of his interest by granting him a new lease on conditions which accord with the facts.

Subsection (6). A lease is treated as having been materially varied if, on a disposal, its duration would be regarded as altered, or if restrictions on the material development of the land are released or modified. (See also paragraph 16, Schedule 2.)

Clause 17. Time of disposal and acquisition of interests in land

Subsection (1) introduces rules for determining times of disposal and acquisition.

Subsection (2). Except for payments of compensation etc. which are covered by Clause 3(2), the normal rule is that the time of disposal or acquisition under a contract is the time the contract is made.

Subsection (3). If the contract is conditional (e.g. on the exercise of an option) disposal and acquisition are treated as taking place when the condition is satisfied.

Subsection (4). The time of disposal and acquisition by compulsory purchase is when the compensation is settled (disregarding variations on appeal) or, if earlier, the date of entry (but see subsection (7)).

Subsection (5). A conditional contract entered into before 13 September 1974 is to be regarded for the purposes of the disposal as never having been conditional if the consideration for the disposal does not depend wholly or mainly on the value of the interest when the condition is satisfied.

Subsection (6) deals with the situation where a firm arrangement to enter into a contract for a disposal was made before 13 September 1974 and the disposal takes place during the year beginning on the appointed day. If unconditional, the contract is to be treated for the purposes of the disposal as having been made before the appointed day. If the contract was conditional, it is to be treated for those purposes as having been entered into before 13 September 1974.

Subsection (7). A disposal by compulsory purchase is to be treated as having been made before the appointed day if notice to treat was (or is deemed to have been) served before 13 September 1974.

Subsection (8). Subsections (5) to (7) do not affect times of acquisition.
Subsection (9) makes it clear that the clause does not affect times of disposal and acquisition for the purposes of other taxes.

Subsection (10) defines the expression “authority exercising compulsory powers” which is used in subsections (4) and (7).

Clause 18. Interests in land

Subsection (1). “Interest in land” is defined widely. It includes any estate or interest in land and any right in or over land or affecting its use or disposition e.g., a restrictive covenant against development.

Subsection (2). “Interest in land” does not, however, include the interest of a creditor whose debt is secured by way of mortgage, an agreement for a mortgage or a charge of any kind over land. The exclusion for creditors does not extend to a right to income secured on land by way of a rent charge.

Subsection (3). “Lease” is defined so as to include inter alia an agreement to grant a lease or sublease at some future date.

Clause 19. Partnerships

This Clause provides that development value realised by persons carrying on a trade or business in partnership will be assessed and charged on the partners separately, and any partnership dealings will be treated as dealings by the partners and not by the partnership. This corresponds to the treatment of partnerships for capital gains tax.

Clause 20. Interpretation

This clause contains definitions and interpretations of the various terms used and enactments referred to in the legislation.

Clause 21.

The appointed day for DLT is to be prescribed by Order of the Treasury, subject to an affirmative resolution of the House of Commons.
SCHEDULE 1

PROJECTS OF MATERIAL DEVELOPMENT

Part I—General provisions

Para. 1 defines "project of material development".

Para. 2(1) sets out the rules for determining the date on which material development is to be treated as having begun.

(2) lists the "specified operations" the start of which is regarded as beginning the project of material development. A change of use which constitutes development is included.

Para. 3. [It may happen that after a project of material development has begun, it will be carried out in such a way as to include some additional material development. There will be rules for determining whether this should be regarded as a new and separate project or as a variation of the existing one. It is intended that these rules should be included at this point in the Schedule.]

Para. 4. Where material development has been carried out in accordance with planning permission granted for a limited period only and the period of the limited permission is subsequently extended, a new project is to be deemed to have commenced as from the date of the extension.

Para. 5(1). A project of material development is to comprise all the development and clearing operations which are to be, or have been, carried out and is to comprise all the land which is to be, or has been, so developed or cleared (but no other land).

(2) provides that the land comprised in the project is to include land ancillary to and for occupation with a building if such land would not otherwise be included in the project.

(3) and (4) are concerned with a development which consists solely of a change of use of a hereditament or part of a hereditament. The land comprised in the project is taken to be the whole of the "hereditament" which is defined as the aggregate of all the land and buildings which form a single entry in the valuation list or roll in force at the time of the disposal.

Para. 6. Any expressions used but not defined in this legislation which are derived from the relevant planning enactments (see Clause 20) are to have the meanings assigned to them in those enactments.

Part II—Deemed disposals

Para. 7(1). In arriving at the market value of an interest in land where material development is to be carried out, it is to be assumed that the carrying out of the development would be lawful, that it will be carried out and that planning permission would not be granted for any new material development which is not comprised in the project. Account is to be taken
of any conditions imposed by planning permission authorising the project: for example, a planning permission might be for a limited period only, after which the land must revert to its previous use; or permission might be given to erect a house for occupation only by someone engaged in a particular trade. In calculating market value no account is to be taken of the incumbrances listed in sub-paragraph (2) on the commencement of a project of material development (but see also paragraph 8, Schedule 1).

(2) lists the incumbrances referred to in sub-paragraph 7(1).

Para. 8(1) and (2). On the commencement of a project of material development the incumbrances listed in sub-paragraph 7(2) above are treated as a contingent liability (see paragraph 21, Schedule 2) assumed by the owner of the interest affected by the incumbrance. Where that owner incurs any expenditure in ridding himself of the incumbrance, such expenditure will be allowed to reduce the market value of his interest at the date of the deemed disposal.

Para. 9. Where a project of material development extends to only part of the land in which a major interest is held, in arriving at the market value (for the purposes of the deemed disposal and reacquisition) it is to be assumed that the interest extends only to the part being developed.
REALISED DEVELOPMENT VALUE—SUPPLEMENTARY PROVISIONS

Part I—Disposals out of assembled land

Date and cost of acquisition

Para. 1(1) and (2) explain that the first part of this Schedule sets out rules for determining liability on the disposal of an interest in land which has been built up by a number of acquisitions at different times.

(3). Where the interest includes a lease which has merged with other interests, the merged lease is to be treated as remaining in existence until the presumed expiry date (see Clause 16(4)).

Para. 2. The date of acquisition is the last date a part of the assembled land was acquired and the cost of acquisition is the sum of the separate acquisition costs, but these rules are subject to paragraphs 4 and 5.

Para. 3. In calculating expenditure on improvements or on relevant improvements of the assembled land, the amounts which would have been attributable to the separate parts if they had been separately disposed of at the time of the actual disposal are to be aggregated.

Determination of Base A

Para. 4(a) provides that the current use value of each part making up the assembled land should be calculated separately at the date of its acquisition (or 6 April 1965, if later).

(b). The aggregate of the current use values obtained under paragraph 3(a) is to be treated as the current use value of the assembled land at date of acquisition or 6 April 1965, if later (see paragraph 2 above).

(c) and (d). Any part of the assembled land acquired before 1 May 1977 will attract special addition (see Clause 6) on disposal. The acquisition costs of each of the merged interests are treated independently, each attracting its own special addition according to the actual date of its acquisition and each having its own independent maximum.

Land acquired before July 1948

Para. 5(1). This paragraph provides rules for dealing with cases where part of the assembled land was acquired before 1 July 1948 (the appointed day under the Town and Country Planning Act 1947) and part after.

(2). In determining base A, any part of the assembled land acquired before 1 July 1948 is deemed to have been acquired at a cost equal to its current use value at the date of disposal. The deemed cost does not attract the special addition (see Clause 6) normally provided for in base A.

(3). Similarly, in determining base C the acquisition cost is deemed to be the current use value at the date of disposal. Normally base C takes account of any expenditure on improvements since acquisition but in this special case relevant improvements only (see paragraph 2, Schedule 3) are taken into account.
(4). Where, on disposal, the current use of the pre-July 1948 part needs to be determined, it is to be assumed that the interests existing in the land have not changed since 1 July 1948, and, in particular, that any lease has an unexpired term of the same length as it had on that date.

Partial exemption from charge

Para. 6(1) applies where a part of the assembled land would have qualified for the relief provided by Clause 9 (i.e., relief for interests acquired by gift or inheritance) if it had continued to exist as a separate entity.

(2) and (3) provide for two calculations of the amount of development value which would have arisen on a disposal of the part as a separate entity at market value; one on the assumption that Clause 9 would apply and the other on the assumption that it would not. For both calculations, the base to be used is the one in fact used for the actual disposal.

(4) and (5). The difference between these two amounts (which reflects the benefit that Clause 9 treatment would confer in respect of that part) is allowed against the development value realised on the assembly, providing that the assembly is completely disposed of.

(6) and (7). If the assembly is partly disposed of, then the difference is reduced by applying the part disposal fraction given in paragraph 9(1), Schedule 2.

Para. 7(1). This paragraph applies where a part of the assembled land would have qualified for the “stock in trade” relief provided by Clause 13, if it had continued to exist as a separate entity.

(2). The amount of realised development value which would have qualified for such relief on a disposal of the part as a separate entity at market value is calculated using the same base as is used for the assembly.

(3). Where the assembly is completely disposed of the amount ascertained under sub-paragraph (2) (i.e., the Clause 13 relief attributable to that part) is allowed against the development value realised on the assembly.

(4). If the assembly is partly disposed of the amount is reduced by applying the part disposal fraction given in paragraph 9(1), Schedule 2.

Part II—Part disposals

Para. 8 introduces the rules for dealing with part disposals (see Clause 3).

Para. 9(1). Except where they can be separately identified (see paragraph 10 below), the cost of the part disposed of (including for the purpose of special addition under base A) and the amount of any expenditure on relevant improvements or improvements to that part are to be arrived at by apportionment of the figures applying to the whole of the interest in land. In each case, the full figure is to be multiplied by the fraction:

\[
\frac{\text{Net proceeds of the part disposal (PD)}}{\text{Net proceeds of part disposal (PD) + Market value of remainder (MR)}}
\]
(2). The amounts arrived at under sub-paragraph (1) are to be deducted from the amounts relating to the whole interest in land to determine the amounts attributable to the part retained on any subsequent disposal of that part.

(3). In the case of a gift or a transfer for a consideration below market value, the net proceeds of the part disposal (PD) in the apportionment is to be determined as if the interest forming the subject of the part disposal had been disposed of at market value.

Para. 10(1). Except where it can be clearly identified, the current use value at the date of disposal of the part disposed of is arrived at by deducting from the current use value of the whole interest in land (CW) the current use value of the part remaining after the part disposal (CR).

(2). For the purposes of base A, the current use value at the date of acquisition or, if later, 6 April 1965, of the part disposed of is found by multiplying the current use value on acquisition of the whole interest by the fraction:

\[
\frac{CW - CR}{CW}
\]

(3). The balance of the original current use value remaining after deducting the amount produced after the calculation referred to in sub-paragraph 10(2) above has been carried out will, for the purposes of any future disposal of the part remaining, be the current use value at acquisition or 6 April 1965, if later.

Para. 11. Where on the occasion of a part disposal of an interest in land it is possible to distinguish the current use value (at dates of acquisition and disposal) or expenditure incurred (including acquisition costs) in respect of the part being disposed of, such amounts are to be used instead of the amounts derived from the use of the formulae in paragraphs 9 and 10 above.

Part III—Additional provisions applicable to leases and reversions on leases

Introduction

The note on Clause 3(1) indicated that the grant of a lease is treated as a part disposal for DLT. Part III of Schedule 2 makes the necessary adaptations to Part II (which contains the basic provisions on part disposals) where development value is realised by leasing land at a rent, with or without a premium. The process of arriving at the consideration given for the grant of a lease involves capitalisation of rents (dealt with in Part V of the Schedule—see note on paragraphs 23 and 24). There is consequently a system of deductions from and additions to the various items which feature in the calculation of liability to DLT on the disposal, part disposal or deemed disposal of leases and reversions. Items requiring these adjustments are the consideration, the market value and the current use value at acquisition or on 6 April 1965 as appropriate, and at disposal. For example, on the sale of a reversion the consideration given by the purchaser will reflect the value of the right to receive the rent reserved in the lease. The element of development value in the rent will have been charged to DLT on the grant of the lease and for DLT purposes a deduction equal
to the value of the right to receive the rent for the unexpired term of the lease is therefore made from the actual amount of the consideration. This, with other necessary adjustments, in effect confines the DLT charge on the disposal of the reversion to any development value attributable to the right of the reversioner to re-occupy the land at the end of the lease.

Similarly, when a lessee assigns a lease, an adjustment is needed to the actual consideration. This consideration will take into account the undertaking by the assignee of the obligation to pay the rent. For the purpose of computing the assignor’s DLT liability, the value of that obligation is added to the consideration actually received by him, since his own acquisition cost will include the value of the obligation to pay rent.

Paragraphs 12 to 15 set out the necessary adjustments. They deal with separate aspects of these adjustments but they are not mutually exclusive and so, for example, on the grant of a sub-lease out of a lease paragraphs 12 and 13 will both be relevant.

**Grant of a lease**

Para. 12(1) provides that on the grant of a lease the market value and current use value of the retained interest (“MR” and “CR” in paragraphs 9 and 10, Schedule 2), i.e., the reversion on the lease, shall be reduced by “the value immediately after the grant of the landlord’s rights under the lease”.

(2) defines the value of the landlord’s rights under the lease so as to include everything except the right to recover possession when the lease expires. Thus it will include not only rents but also, for example, any works the lessee has agreed to carry out which benefit the landlord.

The combined effect of (1) and (2) is therefore to leave as the market and current use values of the retained interest only the market and current use values of the right of the reversioner to re-occupy the land at the end of the lease.

**Part disposal of a lease**

Para. 13(1) explains that this paragraph deals with part disposals of leases. Where the part disposal is the grant of a sub-lease out of a lease, paragraph 12(1) also applies.

(2) provides that to the market value and current use value of the retained interest there should be added the value of the rights of the chargeable person’s landlord under the lease. Additions will also have been made to the chargeable person’s cost of acquiring the lease which is now the subject of the part disposal. (See paragraph 15(2)).

(3). In line with the provisions in (1) and (2) above, in determining the current use value of the lease at the time of the part disposal or at the time of its acquisition (“CW” in paragraph 10(1), Schedule 2) account is to be taken only of the value of the lessee’s right to occupy the land until the lease expires (i.e. his obligation to pay rent is disregarded).

(4) provides that where the lease out of which the part disposal is made has less than 50 years to run at the time of part disposal, base C shall not be available to the chargeable person (i.e., the owner of the lease) and base A will take into account any fall in current use value since the date of acquisition.
Disposal or Part disposal of a reversion

Para. 14 deals with disposals (including part disposals) of an interest in land which, immediately before the disposal, is in reversion on a lease.

(1) provides that, in the case of a complete disposal, the items set out in (a), (b) and (c) (i.e. net proceeds of disposal, current use value on disposal and cost of acquisition for the person acquiring the reversion) are all to be adjusted by deducting the value of the rights of the landlord (i.e. the person who owns the interest). There are modifications for part disposals—see sub-paragraphs (2) and (3) below.

(2) provides that where there is a part disposal involving the giving up of part of the land (Clause 3 (1)(b)) then the net proceeds of disposal, and cost of acquisition of the person acquiring the granted interest, are to be reduced by an appropriate part only of the value of the rights of the landlord.

(3). Where there is a part disposal which does not involve the creation of an interest in land (Clause 3 (2)) then no adjustment is to be made to the net proceeds of disposal since these will not reflect the value of any right to receive rents. Similarly, as no interest in land has been acquired, sub-paragraph (1)(c) does not apply.

(4) provides that where there is a part disposal the market value and current use value of the part retained (i.e., the reversioner’s retained interest) should be reduced by an amount equal to the value of the rights of the reversioner under the existing lease, to the extent that these rights are retained by him following the part disposal. This parallels the treatment of these values on the grant of a new lease (see paragraph 12 (1)).

(5). Where, in the case of a complete disposal, the reversion disposed of was a reversion at the date of its acquisition or 6 April 1965 then the current use value at that date is to be reduced by the value at that time of the rights of the reversioner to receive rent etc. under the lease (thus leaving only the current use value of the right to re-occupy the land at the end of the lease).

Complete disposal of a lease

Para. 15 deals with the complete disposal of leases (i.e., assignment or surrender); for part disposals of leases see paragraph 13.

(1) and (2) increase the net proceeds of disposal, and cost of acquisition of the person acquiring the lease, by the value of the landlord’s rights under the lease. As explained in the introductory note to this Part of the Schedule, the addition to the net proceeds of disposal is made because the disposer’s own acquisition cost will include the value of the obligation to pay rent. The cost of acquisition of the person acquiring the lease is similarly increased. (For cost of acquisition on the grant of a lease see paragraph 23.)

(3). This rule parallels that in paragraph 13(3).

(4). This applies the “wasting” rule in paragraph 13(4) to complete disposals of leases.
Para. 16(1) introduces rules to supplement the provisions in Clause 16(5) concerning material variations of leases.

(2) provides that where a tenant would realise development value on the assumed surrender of his original lease, the amount is to be set primarily against the deemed cost of his acquisition of the assumed new lease, any balance remaining being subject to DLT.

(3) Any consideration given by the tenant for the variation is to be treated as relating to the grant of the new lease rather than the surrender of the original lease.

(4) and (5). If the base value on the surrender is higher than the net proceeds of disposal, then the balance is added to the cost of acquisition of the new lease, but is not to attract special addition.

Part IV—Projects: temporary or partial development

Para. 17(1). Where a project of material development extends to only part of the land in which an interest is held, paragraph 9 of Schedule 1 provides that, in arriving at market value, that interest should be regarded as extending only to the part being developed. This sub-paragraph introduces a similar assumption for determining the base value and provides that acquisition costs, expenditure and current use value on acquisition or disposal, should be apportioned accordingly.

(2). In such a case it is also necessary to calculate the base value of the whole interest as a step towards determining the cost of its deemed re-acquisition, which would be treated as the cost of acquisition for a subsequent disposal of the whole interest. Any excess of the base value of the whole over the base value determined under sub-paragraph (1) is to be added to the cost at which it is deemed to be acquired. (See also Clause 6(5) and (6) regarding special addition.)

Para. 18. Where, on the deemed disposal of an interest in land, the base value exceeds the net proceeds of that disposal (e.g., because the project is a temporary one which does not exhaust the development value paid for), an amount equal to the excess is to be added to the cost at which it is deemed to be acquired.

Part V—Consideration

Preliminary

Para. 19 explains that this part of the Schedule sets out rules for arriving at the amounts of consideration for the disposal and acquisition of an interest in land and lays down the principle that, except where there is express provision to the contrary, in any one transaction these amounts will be held to be the same.

General rules

Para. 20(1). The amount of the consideration given or received is not to be discounted for any delay in payment nor, initially, for the risk of non-payment.
If any part of the consideration in fact becomes irrecoverable the Board of Inland Revenue are to make any necessary adjustments.

Para. 21(1). Consideration for the disposal of an interest in land is initially to take no account of any contingent liability.

Para. 22(1) and (2). A deduction is allowable for overseas tax in calculating the consideration for the disposal of an interest in land, but the consideration for the acquisition of the interest is not affected.

**Rents and other income payments**

Paras 24 and 25 The consideration for the grant of a lease is the capital value of the right to receive the rents (assuming that the tenant will meet his obligations) and any other consideration payable in respect of that grant.

Para. 25. Without prejudice to the rules about the grant of a lease, the amount of any consideration which consists of a series of income payments is taken to be the market value of the right to receive those payments.

**Options**

Para. 26(1) and (2). Clause 3(4) provides that the grant of an option is the creation of a separate interest in land. Nevertheless if an option is exercised, the grant of the option and the disposal (or acquisition) of the interest in land by the grantor are treated as a single transaction.

Para. 26(3) provides equivalent rules to (2) above for the person who exercises the option and indicates that the abandonment of an option is not the disposal of an interest in land.

**Part VI—Incidental costs**

Para. 27 explains what is to be regarded as expenditure incidental to the acquisition or disposal of an interest in land.
SCHEDULE 3

Expenditure on improvements

Para. 1(1). Expenditure on improvements must have been wholly and exclusively incurred by the owner of an interest in land either (a) for the purpose of adding to the value of that interest (and the expenditure must be reflected in the condition of the land or the market value of the interest at the time of disposal), or (b) in maintaining his legal title to that interest and his right to enjoy it.

(2). Expenditure of recurrent nature, such as on maintenance, is excluded.

(3). Expenditure is to be apportioned where it also benefits land other than that land in which the relevant interest subsists.

Para. 2. Expenditure on relevant improvements is defined as the amount of expenditure on improvements less any resulting increase in the current use value of the interest in land at the date of disposal.

Para. 3(1) applies where the planning permission authorising the development of a particular piece of land imposes a condition which causes the current use value of other land in the same ownership to fall e.g., a condition that a house should revert from office to domestic use.

(2). In such a case, the current use value of the interest in the “other” land is ascertained ignoring the planning conditions and, if that exceeds its actual current use value (i.e., after taking account of the planning conditions) when the development is carried out, any excess is allowable as expenditure on improvements.

Para. 4. Where paragraph 3 above applies then, when the interest in the “other” land is disposed of, the aggregate of items making up base A is to be reduced by the smaller of the amount already allowed under sub-paragraph 3(2)(b) above and the fall in current use value between date of acquisition, or 6 April 1965 if later, and date of disposal. Base C is not available as a base value for the interest in the “other” land.

Para. 5. Where the condition attaching to the planning permission referred to in sub-paragraph 3(1) above is varied or removed within 6 years of the disposal, the fresh situation is to be regarded as having existed from the outset and any consequential adjustments to DLT assessments are to be made.
Development which is not 'material development'

Para. 1(1) lists a number of activities which do not constitute material development for DLT purposes (see Clause 7(4) ).

(2) There are references in sub-paragraph (1) to "relevant time". This means the date for valuation when current use value is being determined and the date of the first specified operation (see paragraph 2, Schedule 1) for determining when a project of material development is begun.

(3) provides rules for determining whether an enlargement or rebuilding is material development where more than one building is involved (see paragraph 1(1)(a) and (b), which exclude from material development enlargement and rebuilding which does not increase the cubic content of a building by more than 10 per cent).

Para. 2(1) and (2) These sub-paragraphs provide that, as regards the 10 per cent. enlargement and rebuilding tolerance, any increase in cubic content due to the provision of fire escapes, car parking facilities and accommodation for heating and air conditioning plant is to be disregarded.

(3) Where a building has been enlarged or rebuilt after 1 July 1948, the 10 per cent. tolerances for any subsequent enlargement or rebuilding refer to the original building on which the works were carried out and not the building resulting from these earlier works.

Para. 3 specifies the classes within which changes of use do not constitute material development.

Para. 4. Where it is necessary to determine what part of a building has a particular use (see paragraph 1(1)(g) of Schedule 4), any part of the building not so used on 1 July 1948 or on the date when such use was introduced, whichever is the later, is disregarded.

Para. 5 defines various terms used in the Schedule.
Para. 1. In determining for the purposes of Clause 13 (stock in trade exemption) what planning permission was in force on 12th September, 1974, an application for planning permission which was refused before that date but was subsequently granted on appeal is regarded as having been granted on the date of the original refusal.

Para. 2. Where the planning permission in force at 12th September, 1974, was outline planning permission only, the exemption from DLT provided for in Clause 13 applies to any development authorised by that permission without the need for later approval. The exemption also applies to development for which approval was granted before the disposal or might reasonably have been expected to be granted, other than development for which approval had been refused.

Para. 3. Where planning permission, although in force at 12th September, 1974, was for a limited period only and had lapsed by the time of disposal, it is regarded as not having been in force at 12th September, 1974.

Para. 4 defines various terms used in the Schedule.

Note

Under the Planning (Northern Ireland) Order 1974 (S.I. 1972 No 1634) all outline planning permissions in Northern Ireland granted before 1st September, 1971 lapsed on 1st September, 1974, unless implementation had begun or detailed plans were submitted before that date. It is proposed that in Northern Ireland the exemption for interests in land held as stock in trade should be given where planning permission was held at 1st September, 1974, and would also have been held at 12th September, 1974, but for the operation of the Planning (Northern Ireland) Order 1972.
Para. 1 defines certain terms used in this Schedule.

Reduction of chargeable gain by reference to realised development value.

Para. 2(1). Subject to sub-paragraphs (2) to (7), where a DLT disposal is also a disposal for the purposes of CGT, then the amount of the chargeable realised development value (i.e. the amount actually charged to DLT) is deducted from the chargeable gain.

(2). Where the consideration for the purposes of DLT is greater than the consideration for the purposes of CGT (e.g. where DLT falls on income items such as rents which are excluded from the CGT consideration) then, for the purposes of (1) above, the chargeable realised development value is reduced by applying the fraction:

\[
\frac{\text{CGT consideration}}{\text{DLT consideration}}
\]

(3) and (4). Where the reduction in (2) has been made, then on a subsequent disposal (e.g. the sale of a reversion where the first disposal was the grant of a lease) a similar calculation is made, but with the CGT consideration for the subsequent disposal added to that on the first disposal. The excess of the amount of chargeable realised development value obtained by this reduction over that obtained by applying (2) is deducted from the chargeable gain. This process can be repeated for any further disposals; for this purpose, a CGT disposal which is not also a DLT disposal is to be treated as such.

(5) restricts the operation of (3) and (4) so that no more than the full amount of the chargeable realised development value which accrued on the DLT disposal can be offset against chargeable gains.

(6). The deduction from the chargeable gain is to be made before the adjustments and reductions listed in (a), (b) and (c) are carried out.

(7). The deduction from the chargeable gain is not allowed to establish a loss.

Para. 3. Where there is a deemed disposal on the commencement of a project of material development, the rules in sub-paragraph 2(2) et seq are applied when there are subsequent CGT disposals (which may or may not be DLT disposals). Thus the full amount of chargeable development value realised on the deemed disposal is available to be applied against subsequent CGT disposals, together with any realised on those subsequent disposals. For the purposes of the fraction in sub-paragraph 2(2), the denominator is the aggregate of the DLT consideration on the deemed disposal and any expenditure incurred before the subsequent CGT disposal which would be treated for DLT purposes as expenditure on improvements (e.g. construction costs).

Para. 4(1) and (2). Where a gain arising on the disposal of business assets or other assets qualifying under Section 33, Finance Act 1965, is rolled over wholly or partly by reducing the acquisition costs of new assets, the chargeable realised development value is primarily applied against any remaining chargeable gain with any unapplied balance being carried forward. In this case the amount
of chargeable realised development value available for offset against chargeable gains is not restricted to the amount of the chargeable gain on the disposal (as in paragraph 2(7) above) but is restricted to the amount which would be the chargeable gain if the roll over provisions did not apply.

(3). The balance carried forward is applied against any chargeable gains arising on the disposal of the new assets until the whole of the balance has been exhausted.

(4). Where a gain is held over as a result of the acquisition of a depreciable asset (defined in paragraph 16(7), Schedule 19, Finance Act 1969) the unapplied balance of chargeable development value is set off against the gain when that gain is treated as accruing. Where that gain is reduced as a result of a claim following the acquisition of an asset which is not a depreciable asset ("asset No. 3") the unapplied balance is available for offset against any chargeable gain arising on the disposal of that asset.

(5). The deduction under this paragraph from a chargeable gain is not allowed to establish a loss.

(6) contains definitions of terms used in this paragraph.

Reduction of profits or gains by reference to realised development value.

Para. 5(1). Where a DLT disposal is also a trading disposal (see paragraph 1), then the amount of the chargeable realised development value is deducted from the profits or gains of the trade.

(2) and (3) provide parallel rules to those in sub-paragraphs (2) to (5) of paragraph 2.

Para. 6. Sets out modifications to paragraph 5 to deal with the case where the DLT disposal is a deemed disposal. The modifications are equivalent to those in paragraph 3 (see note on that paragraph).

Note

Paragraphs 1 to 6 above provide rules for interactions where a DLT disposal coincides with or precedes a disposal for the purposes of tax on chargeable gains or on trading profits. Rules will also be proposed for interactions where these other taxes precede the DLT disposal.

Where there is a DLT disposal of an interest in land and that interest had been charged to estate duty or capital transfer tax within the 6 years prior to the disposal, then it is proposed to deduct from the realised development value the amount of estate duty or capital transfer tax attributable to that value. Appropriate relief will also be proposed for capital transfer tax paid by the transferee in respect of a transfer to him at under value (i.e. an acquisition which is not "otherwise than for value"—see Clause 9).
NOTES ON ASPECTS OF DEVELOPMENT LAND TAX NOT COVERED IN APPENDICES A AND B

(The numbered paragraphs below are extracts from the Inland Revenue notice of 4th February, 1975)

Acquisition of land by local authorities

In the White Paper "Land", the Government announced their intention of enabling local authorities to buy land net of the development land tax that would have been payable by the vendor had he sold his land privately. The arrangements for giving effect to this intention are still under discussion with representatives of the local authorities.

Charities

As indicated in Paragraph 5(c) of this White Paper, the Government will propose that development value realised by charities from interests in land held at 12th September, 1974 should be exempt from DLT. The exemption will extend to any interest held by a charity at that date, including both endowment land and land held for functional purposes. The exemption will not however extend to interests in the same land held by persons other than a charity.

In consequence a charity will be free either to sell or develop land in which it held an interest at 12th September, 1974 without becoming liable to DLT in respect of that interest. If such an interest is acquired by an authority, the charity will receive full market value and there will be no deduction on account of DLT. If the interest is disposed of to a person other than an authority, the charity will not be required to pay DLT on any development value realised in consequence. A charity will, however, be liable to DLT on any development value realised on disposing of an interest in land acquired after 12th September, 1974.

As already announced, a charity will not be liable to DLT on developing land for its own use. This exemption for development for a charity's own use will apply whether the interest in the land was acquired before or after 12th September, 1974.

Transitional arrangements

4. As stated in the White Paper DLT will replace the arrangements for the taxation of development gains introduced in the Finance Act 1974 and currently in force. The development gains charge will continue to apply to disposals before the Appointed Day but not to subsequent disposals unless material development commenced before the Appointed Day. In the latter case the charge on development gains will apply, since the value of the material development so commenced will not be chargeable to DLT.

5. The White Paper did not specifically refer to the future of the charge on the first letting of a non-residential building following material development which was introduced by Chapter II, Part III, Finance Act 1974. It has been decided that with the introduction of DLT, the charge in such circumstances will be discontinued for first lettings after the Appointed Day, except where the material development commenced before that day.

10. Material development started, but not completed, before the Appointed Day will be treated as having commenced before the Appointed Day (and so not within the charge to DLT) to the extent that the carrying out of the project was authorised by planning permission in force at the Appointed Day.
The reference in paragraph 5 above to "material development commenced before that day" should be taken as a reference to the material development from which the building resulted (ie “the relevant development” as defined in section 46(1), Finance Act 1974). It follows that there will not be a charge under Part III, Finance Act 1974 on the first letting after the Appointed Day of a building commenced after that day even though the project of development of which it is part may have commenced earlier.

Collection arrangements

13. Where the occasion of charge is the commencement of material development, or the consideration for a disposal takes the form of rent, there will be opportunity for spreading payment of the tax over a period (subject to interest).

The draft legislation does not at present include provisions about the payment of DLT. The intention is that the payable date should be a short period after the chargeable occasion. Interest will be charged from the payable date up to the date of payment, at the rate prescribed for interest on arrears of income tax. If part of the tax or interest is subsequently repaid, the repayment will carry interest from the date on which the payment was made.

There will be an opportunity for a person who becomes chargeable to DLT before he receives the cash benefit from the realisation of development value (e.g. when he begins a project of material development—see clause 2) to pay the tax by instalments (subject to interest).

Groups of companies

26. A transfer of land from one company to another which is a member of the same group will not be an occasion for charging DLT. Liability will, however, arise when land is disposed of outside the group and in that case regard will be had to its cost to the group (and not to any transfer prices within the group). Special rules will be provided to cover the situation where a company ceases to be a member of a group.

27. A group will be a 75 per cent. group as for the purposes of taxing capital gains (broadly a principal company and all its 75 per cent. subsidiaries) but for DLT purposes a non-resident company may qualify as a member of a group.

Trusts

28. Where land is held by a trustee for a beneficiary who is absolutely entitled to it as against the trustee, the land will be deemed to be vested in the beneficiary and anything done with the land by the trustee will be regarded as having been done by the beneficiary. Transfers of land between a bare trustee and a beneficiary absolutely entitled to it will be disregarded.

29. Special provision will also be made for charging disposals of certain interests in trusts, if the main asset of the trust is land. These provisions will apply where the settled property comprises land (including land held as trading stock or occupied by trustees for use in a trade carried on by them) to a value exceeding 75 per cent. of the net value of all the settled property.

Housing Associations and the Housing Corporation

38. Approved co-operative housing associations (as defined in Section 341, Income and Corporation Taxes Act 1970) and self-build societies (as defined in Section 12, Housing Act 1974) will not be liable to DLT on the erection or disposal of dwellings. Nor will there be liability on the disposal of surplus land to a housing association registered with the Housing Corporation under Section 13, Housing Act 1974, or to the Housing Corporation itself. These approved associations and societies will, however, be liable to DLT (subject to the relief described in paragraphs 30 and 31 above) [exemption for first £5,000 of development value] on disposing of surplus land to other purchasers.
39. Other registered housing associations (including those which are registered as charities) will not be charged on the erection of dwellings, but if they dispose of land or buildings other than to another registered housing association or to the Housing Corporation DLT will be chargeable (subject to the relief described in paragraphs 30 and 31 above) on any development value realised (including any value realised at the time any buildings sold were erected, but not charged on that occasion). The Housing Corporation will be treated similarly.

40. There will be no special reliefs for unregistered housing associations.

Statutory Undertakers

45. As stated in the White Paper, statutory undertakers and other comparable bodies will be able to carry out development for their own operational use without liability to DLT, but they will be liable (subject to the relief described in paragraphs 30 and 31 above) when they dispose of their land, whether before or after development. Where there is a subsequent disposal of land so developed DLT will be chargeable on any development value realised (including any value realised at the time the development for operational use was commenced, but not charged to DLT on that occasion).

Industry

46. The White Paper stated that the arrangements for collecting DLT would be framed in such a way as to minimise the risk of difficulty for firms then owning land on which they plan to extend for their own use. It has been decided that there should be a more comprehensive relief for industry. The relief will apply to the development for industrial use of land whenever acquired and to new industrial buildings as well as to extensions to existing buildings.

47. The legislation will have the general effect that an industrialist will not be liable to DLT on material development of land owned by him if that development is for his own industrial use (including the provision of welfare facilities).

48. There will, however, be liability to DLT when land so developed is disposed of (unless the disposal takes place within a group of companies) or ceases to be used by the industrialist for industrial purposes. In such cases DLT will be chargeable (subject to the relief described in paragraphs 30 and 31 above) on any development value realised (including any value realised at the time the development for industrial use was commenced, but not charged to DLT on that occasion).

Minerals

50. Disposals of land with planning permission to win and work minerals will be chargeable. The charge will, however, be reduced (on the lines of the reduced charge on development gains in the Finance Act 1974) so that it will apply to only 50 per cent. of the excess of the consideration over what the market value of the land would be on the assumption that planning permission would not be granted for the winning and working of minerals.

51. Development consisting of the winning and working of minerals will not be an occasion of charge for DLT.

52. The arrangements for taxing mineral royalties introduced in the Finance Act 1970 will not be disturbed.

Avoidance

57. As announced in the White Paper, the legislation will guard against transactions aimed at avoidance in the period before the introduction of DLT, in particular attempts to establish an artificially high base value. No detailed statement about these provisions can be made in advance of the legislation. So far as possible, however, they will be framed so as not to affect bona fide transactions at arm's length during this period.
CABINET

REPORT ON HOUSING: GOVERNMENT REPLY

Note by the Secretary of State for the Environment

1. I am circulating, for the information of the Cabinet, the text of the Government's proposed reply to the Select Committee's 1971 Report on Housing.

2. It takes account of the points made at MCR (75) 1st Meeting on 31 July.

3. MCR agreed that the reply should be published, as a White Paper, as soon as practicable. The Chairman of the Select Committee is content with publication in the recess.

A C

Department of the Environment

6 August 1975
RACE RELATION AND HOUSING

OBSERVATIONS ON THE REPORT ON HOUSING OF THE SELECT COMMITTEE ON RACE RELATIONS AND IMMIGRATION

INTRODUCTION

1. The Select Committee on Race Relations and Immigration devoted their 1970/71 session to housing. Their Report was presented to Parliament in July 1971. The publication of the Report, and its supporting material, added substantially to the information available on, to quote the Select Committee, "a major topic affecting both immigrants * and the host population".

2. Since it was published, the Report has been widely studied and has had a substantial influence on the way housing and associated policies have developed. The Government welcomes this opportunity of formally acknowledging the work of the Select Committee and the contribution which its Report has made.

3. The Report raised many matters affecting Government Departments and local authorities, other bodies who provide or finance housing or who are concerned with housing matters, and organisations working in the field of community relations and representative of immigrants. Consultations and consideration of the issues raised by one of the most sensitive of the subjects which the Select Committee has been studying, and in particular of the question of records, proved to be protracted. But it is now 4 years since, under a previous administration, consultations on the Report started. The Report has been taken into account in the formulation of Government policies and over half of the 46 specific recommendations in the Report have in practice been acted on by central Government. A formal reply to the Report is, however, overdue; and a separate memorandum on the time taken to publish it has been put to the Select Committee by the

* The Government recognises that the term "immigrants" no longer satisfactorily identifies coloured people in this country; most of them have been permanently settled here for many years or have been born here. The Government also recognises the wide variety in culture, background and attitude which is to be found in different coloured or ethnic groups; they cannot be regarded as a single or homogeneous community. References to immigrants, coloured people, and ethnic minorities in this reply should be understood accordingly.
Department of the Environment. In the context of this delay, the Government will consider carefully the recommendation in the Select Committee's recently published report 1 that the staff devoted to race relations in the Department of the Environment, as elsewhere, should be strengthened.

RACE RELATIONS AND HOUSING POLICY

4. It has been the common experience both here and in other countries that immigrants and migrants tend to settle at least initially in inner city and other older urban areas which already suffer housing, economic, environmental and social stresses. Like most immigrants before them, many coloured immigrants to this country over the past 20 years have lacked at first the money or qualifications for well paid jobs which would allow them to afford any except the cheapest accommodation. Later immigrants, accustomed to a society with different values and social habits, and often unable to speak English, have sought out others with a similar background to themselves, and in this way found a sense of security and identity. Immigrants and migrants tend to be proportionately younger than the population generally and therefore with proportionately more people of child-bearing age. Thus a continuing influx of people to the same areas, often in the inner cities, in addition to the birth of children to those already there, have put a severe strain on already scarce accommodation, accelerating its deterioration. The pressure has also given opportunity to unscrupulous landlords in both immigrant and host communities to exploit those in areas of housing shortage by charging high rents for poor accommodation. There has been a proportionately bigger cultural and economic motivation towards home ownership among recent immigrant communities than among other poor families generally. But some immigrants, in seeking to become owner-occupiers, have been faced with excessive interest charges because they had difficulties in raising finance from conventional sources: meeting these charges has, in some cases, meant the creation of unsatisfactory tenancies and overcrowding.

5. The Government's view is that it is essential for the development of healthy social conditions, particularly in the old urban areas, that there should not be ethnic, racial, religious or class discrimination in the formulation or the application of housing policies and practices. People in housing need should have, and feel that they have, a better opportunity than they have had so far of access to decent housing, whether public or private; and of sharing in the improvement of housing conditions. It is the Government's policy to secure this.

1 "The Organisation of Race Relations Administration", July 1975
6. The Government agrees with the view of the Select Committee that "the housing of immigrants cannot be separated from housing the community at large". Housing is pre-eminently a service in which the main contribution towards helping coloured people in need is made through general programmes and policies, and because of people's need rather than of their colour.

7. As part of the community, coloured people in need will benefit for example from the increased expenditure on housing since this Government took office and the current increase in public sector house building; from the provisions in the Housing Act 1974 for stimulating the housing association movement and giving substantial assistance to hostels; and from the recasting of the subsidy system in the Housing Rents and Subsidies Act 1975.

8. In particular, they stand to benefit from the increasing emphasis, under the Housing Act 1974, on rehabilitating old areas of housing instead of allowing their continued decline into slumdom which can then be tackled only by wholesale clearance and development. The Housing Act 1969 and the new provisions in the Housing Act 1974 provide for the declaration of General Improvement Areas, Priority Neighbourhoods and Housing Action Areas. The Government intend that this approach should become central to housing policy and practice in tackling stress areas, where disproportionately large numbers of coloured and other disadvantaged people - including one parent families, elderly, disabled and poor single people - live, many in furnished property hitherto without security and so more likely to become homeless. The Government has, in the Rent Act 1974, extended security of tenure for tenants of furnished accommodation. It has enabled local authorities and housing associations to start on a programme of social acquisition, concentrating on bringing into social ownership and improving properties in stress areas: and is considering further ways of establishing social ownership and control. These policies spring from the conviction that it is primarily through such action that the bad housing, poor use of housing stock, the decline in the private rented sector and the difficult social conditions in stress areas, can be dealt with most effectively.

9. The Government expected that most Housing Action Areas in the conurbations would, by their nature, be likely to include ethnic minorities. Their presence is one of the items which local authorities have been asked to see is covered in the reports on Housing Action Areas, and the attention
of authorities has been drawn to the importance of developing channels of communications with those not accustomed to speaking or reading English. There is a statutory opportunity for suitably qualified people or groups, as well as local authorities, to prepare or contribute to the report on the physical state of property and the social conditions in stress areas before their formal declaration as Housing Action Areas; and local authorities have been reminded of the importance of involving those living in stress areas, or representing their interests, in the action programmes designed to improve living conditions for the benefit of the people living there. Experience so far amply bears out the expectations that the Housing Action Area Programme would be relevant to the special needs of, among others, ethnic minorities: Housing Action Areas declared or notified to the Department of the Environment include a number in which ethnic minority groups are referred to; and such areas are being declared in many parts of the country. A watch, however needs to be kept to see that ethnic groups like other disadvantaged groups, do in practice benefit from improvements in housing conditions in Action Areas: local authorities have accordingly been asked to distinguish, in their annual progress reports, the characteristics of the households moving into and out of these areas.

10. Bad housing and the difficulties which newcomers, whatever their origin, can find in getting accommodation in the public or private sector in urban areas are among the factors which make up the complex of problems which people who are living or want to live there can face. A range of initiatives have been taken by Government to promote a more comprehensive and community approach in areas of deprivation, and to see that, within current financial restraints, they can be tackled with a greater sense of urgency. The Department of the Environment's studies of inner city areas, and support for neighbourhood management schemes, are designed to bring out better ways of tackling the housing and related social problems in areas of stress.

DOM Circular 13/75 has pointed to the need for authorities to consider, in the context of the area approach, how they can extend their operations beyond the improvement and control of the housing situation towards the achievement of wider social objectives. Also, the recently published report of the Central Policies Review Staff, A Joint Framework for Social Policies, indicated some ways in which central
Government will be trying to improve the co-ordination and effectiveness of social policies.

11. The Government has made it clear that it looks to local authorities to take the broadest view of their statutory responsibilities and powers, taking into account private as well as public housing; to respond to the housing needs of their area by formulating and pursuing social policies for new building and older housing, and for managing and allocating their own housing stock; and to be ready to give advice (directly or through voluntary housing aid centres) on housing matters to those in need or in ignorance of the help available to them. While immigrants and their families living in inner urban areas share the disadvantages of those areas with the very many others living there, they may have added difficulties of racial discrimination, of gaining access to information, of understanding housing law, procedures and practice: landlords as well as tenants may find themselves in difficulties, or faced with formal proceedings, as a result. These special circumstances need to be taken into account. It will be particularly important to ensure that coloured people are informed about the new forms of tenure and social ownership being developed by Government and local government - co-operative and co-ownership schemes with tenant management, and schemes involving sharing the equity and deferred purchase.

12. The Government believes that the effect of its housing measures, and of the housing policies of local government, as outlined above, whilst designed to benefit the community as a whole, will give increasing priority - in terms of more specific action and greater resources - to the areas of greatest housing need; and that these measures and policies enable account to be taken of the particular needs of ethnic groups as well as of those needs and problems which they share with others. This necessarily brief account of a serious and complex part of the social scene seeks to strike a fair balance. But it shows that the Government recognises that some special efforts are needed in the housing field to promote equity and improve race relations. The Government also proposes to follow up the Sex Discrimination Bill now before Parliament by legislation for strengthening the race relations machinery and, in particular, to deal with discrimination.

13. Against this background, the Government's observations on the individual recommendations in the report are given in the Annex. These observations take account of the many steps which have in fact been taken, since 1971, on the points raised in the report. But two series of recommendations, relating to matters on which the Report considers special action should be
taken in relation to coloured people, are of such critical importance that they need to be dealt with in this main part of the Government's reply. These concern the keeping of records, and dispersal.

**KEEPING RECORDS**

14. The Report's first recommendation was that the Government should hold discussions specifically on keeping records of coloured people in relation to housing, with a view to formulating an acceptable, fully comprehensive, workable system, with proper safeguards for confidentiality.

15. The discussions which the Department of the Environment have had with the local authority associations and immigrant organisations have confirmed that, as the Select Committee's own researches indicated, the idea of keeping records by reference to colour continues to provoke a wide variety of strongly felt opinions. However, the Race Relations Board and the Community Relations Commission believe, with the Select Committee, that record-keeping of this nature is needed; and their view follow on the report of the Cullingworth Committee and have been added to by subsequent research.

16. The Government agrees that sensible and confidential record-keeping about the housing of coloured people should be encouraged in appropriate areas. But some of the arguments put forward in support of keeping records have tended to stop short of saying to what beneficial use the records would in practice be put; and it is doubtful whether the record system as such could in fact achieve all that its advocates expect from it. Records should be kept and statistics produced, but not for their own sake; it is important that any information released should be properly explained. The Government will not seek to impose on local government a system which, like the count of immigrant pupils in schools, could mean that statistics collected at considerable cost in staff time, in a sensitive area of social policy, would prove to be of little practical use.

17. The Government believes that local authorities will need to develop a closer understanding of the total housing requirements of their districts, covering both the public and private sectors. The Department of the

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+ Paragraph 4 of Cmnd 5720 "Educational Disadvantage and the Educational Needs of Immigrants" explained that this count ceased from 1 January 1974.
Environment have commissioned research into techniques by which local authorities might forecast the future housing requirements of their districts: the numbers of households of different sizes or with special needs (for instance the elderly, the disabled, or the young and mobile), the balance between tenures, and similar factors. They have also sponsored a number of studies of the workings of the housing market (that is the processes by which households or individuals obtain and exchange housing in both the public and private sectors and the factors that influence their preferences and the choices they make) in various towns. The Department have also initiated a programme of joint work with the Local Authority Associations and the Institute of Housing Managers about developing a new approach to housing management, so that it can measure up to the newly emerging social needs which can, for example, challenge traditional policies of allocation, management, and estimation of housing needs.

18. In the meantime, the Government believes that local authorities should seek to assemble, within current restraints on staff and money, the best information they at present can about the range of housing problems in their areas, including the problems of the various groups whose needs are in one way or another special, and against whom, for lack of knowledge, there may be unintentional discrimination. In its view, the collection of relevant information about the housing situation and needs of coloured people should form part of authorities' wider arrangements for understanding and dealing with the housing and social problems of their area, and for housing management purposes; it will show how social problems are inter-related in central areas. Comprehensive and detailed information, which can be employed by authorities to determine the policies and the action required in their area, will be more useful in bringing about results than concentrating on formal records by reference to colour alone, distinct from need.

19. The information that a particular local authority will require about coloured people (or others with urgent needs) will, like other information, depend on the nature and extent of the problems in its area. But it is particularly important for local authorities to have information about the areas of housing stress discussed above. This should include information on coloured people, their tenures and conditions, and their re-housing either privately or by local authorities or housing associations. For housing stress areas, local authorities may need to go beyond broadly based data and require more detailed information for example in the form of information about individual families or people, or by way of social survey.
Whatever information is collected about coloured people, however, it should be capable of indicating in broad terms, in what proportion the coloured community in the area are represented in the various forms of tenure - owner-occupation, private and council house tenancies - and in various qualities and types of estate, compared with the proportion the coloured community bears to the community as a whole; in what proportions coloured tenants are represented in these tenures along with residents generally; and this information should be examined and analysed to establish better understanding of its background causes.

20. The existing practices of local authorities vary, and no one approach is likely to command general acceptance at this stage. The Government therefore proposes to ask local authorities to secure that, as part of their overall information system, they should collect such information about the numbers and needs of coloured people as will enable them to make an informed judgment about the effect of their policies and programmes in relation to them, and to satisfy themselves that insofar as such policies and programmes may influence more fundamental social and economic causes of inequality in our society, deprived coloured people have equality of opportunity of access to housing in both the public and private sectors.

21. The proposals extend significantly beyond the simple record-keeping proposed by the Select Committee and discussed previously with the local authority associations and immigrant representatives. Before final guidance is issued, therefore, the Department of the Environment will need to hold further discussions with the local authority associations, immigrant representatives, the Community Relations Commission and the Race Relations Board; and to take account of the views on monitoring expressed in the Select Committee's most recent report.

DISPERAL

22. Paragraphs 112-115 of the Report posed the question whether dispersal was desirable, concluded that the answer would seem to be "Yes" and, while recognising that dispersal should always be a matter of individual choice, recommended that obstacles to it should, as far as possible, be removed. The Select Committee described its view as slightly different in emphasis from that of the Cullingworth Committee. That Committee's Report concluded that dispersal was a laudable theme of policy, but needed to be pursued with full respect for the wishes of the people concerned; that dispersal of
immigrant concentrations should be regarded as a desirable consequence, not the overriding purpose, of housing individual immigrant families on council estates; and that the criterion of full, informed, individual choice came first.

23. The Government's view is that the question of dispersal cannot be dealt with adequately by a simple affirmative and that attention must be paid to the qualifications in the two reports.

24. The Committee's report referred to three main arguments. It saw one of the reasons for dispersal as the opening up of economic, social (including housing) and educational opportunities. Dispersal for these reasons, from areas of housing and social stress, could help to open up possibilities for all those living there, irrespective of colour, whose opportunities are at present limited. It would complement and form part of the approach set out in paragraph 10 above.

25. The Report also referred to evidence put to the Committee which made clear that the gradual dispersal of coloured people among the rest of the community would better serve the furtherance of good race relations. This appears to be a somewhat different point and implies that greater contact between people of different colour will promote understanding, help integration and thereby lead to racial harmony.

26. The third point brought out in the Report was that there can often be a conflict between the desire to remain part of an established community and the wish to move, even in improved circumstances, to unfamiliar surroundings. This conflict can be felt by people of all colours.

27. The Government fully endorses the recommendation (No. 3) that obstacles to dispersal (which could affect a variety of those living in bad conditions) should, as far as possible, be removed. It also believes that people must be free to make up their own minds whether or not to move from established communities; that they should not be confined to an estate or an area nor compelled to leave simply on grounds of colour; that, by giving people an effective choice, the movement of immigrants into a wider community will take place freely (it has already started rather more quickly than with some previous immigrant groups); that the most important question is not that of concentration versus dispersal, but of improving the housing, environment, educational and employment opportunities of the inner urban areas where
large numbers of coloured families will continue to live for some time to come, whatever the rate of movement out; and providing the opportunities so that coloured families, along with others, will in practice be able to move out from the inner cities.

28. The Government does not at this stage consider it appropriate to go beyond this statement of policy, or to issue further guidance to local authorities on this issue. The pattern of settlement of coloured people, particularly as it changes over time, calls for consideration by authorities in the light of the housing and other social conditions in their area, including the number of coloured people there, their cultural, social and family patterns, and their wishes. The Government recognises that the position can differ greatly between one area and another. But it expects local authorities in whose area the issue is a material one to formulate a balanced view on it; and to take it into account as one factor in their general management policies and in the day to day allocation of their housing stock, in planning forward programmes of building, redevelopment and improvement. If, for instance, a Housing Action Area, General Improvement Area or Priority Neighbourhood is declared in an area where coloured people have settled these issues might come to the fore and an authority which has declared such an area will want to ensure that the declaration is not seen as an attempt to enforce "dispersal" against the wishes of those concerned.

CONCLUSION

29. The Government looks to local authorities and other organisations concerned to continue, in the light of this White Paper, to give their considered attention to the housing of coloured people as part of a sustained campaign to improve social conditions and community relations.
Recommendation 1: The Department of the Environment should, as a matter of urgency start discussions with local authority representatives specifically on the keeping of records and statistics in relation to housing, with a view to formulating, after consultation with responsible immigrant organisations, an acceptable, fully comprehensive workable system, with proper safeguards for confidentiality.

Comment: As noted in paragraphs 14 to 21 of the main reply, the Government considers that local authorities should collect relevant information about the housing of coloured people, as part of a wider information system about the housing situation and special housing needs of their areas. The Department of the Environment and the Welsh Office propose to hold consultations with the local authority associations and other organisations before issuing guidance.

Recommendation 2: The Home Office should consider how best to give local authorities advance notice of arrivals.

Comment: The great majority of Commonwealth citizens being admitted to the United Kingdom for settlement are the wives and children under 18 of Commonwealth citizens settled here on 1 January 1973, when the Immigration Act 1971 came fully into force. Those dependants have a statutory right to enter this country provided that they first obtain entry clearances from a British representative overseas. An entry clearance is valid for use within 6 months of issue and a survey carried out in 1969 showed that 86 per cent of dependants who arrive, do so within 2 months of receiving clearance; a third of the clearances are never used at all, and not all dependants proceed to the addresses given in the application forms. In these circumstances it is not possible to devise satisfactory arrangements for giving advance notification of arrival. Dependants seeking to join the small number of work permit holders currently coming here under the Immigration Act are not issued with entry clearances unless satisfactory arrangements for their accommodation have been made.
Recommendation 3: Obstacles to dispersal, which should always be a matter of individual choice, should as far as possible be removed.

Recommendation 5: Local authorities which pursue a policy of gradual dispersal throughout their areas in the allocation of council dwellings should continue to do so; this policy should be adopted by those which do not.

Recommendation 7: At least the largest authorities should consider the appointment of welfare officers to deal with the dispersal of immigrants from slum clearance areas.

Recommendation 11: The Department of the Environment should make systematic investigation into the dispersal of immigrants and send circulars of advice to local authorities.

Comments: The Government's general policy on the issue of dispersal in housing has been set out in the main reply.

The Government accepts that social and economic obstacles which unreasonably restrict a citizen's choice of where to live should be removed; they fully endorse recommendation 3.

Within the range of choice which needs to be left open to individuals and communities, the Government accepts that local authorities who pursue a constructive and balanced policy of dispersal by offering to prospective tenants a choice of council dwellings over a wide geographical area, can help to open up new possibilities to their coloured residents and to avoid the sorts of problems which might arise from their concentration in less desirable estates. In this sense, they endorse Recommendation 5 and commend it to local authorities.

Local authorities already have a clear duty to take into account the housing needs of all the people in their area. The appointment of welfare officers is one of the ways which local authorities, particularly the largest, are adopting to keep in touch with all residents (whether coloured or not) of clearance areas who have to be re-housed. Local authorities will no doubt take note of the value the Report attached to this useful means of communication with those affected by clearance action.

The Government does not consider that it would be appropriate at this stage for a circular of advice to be issued on the subject of dispersal.
Recommendation 1: The Government should make an early appraisal of what is needed to enable immigrants to find work in new and expanding towns and to move out of the overcrowded city centres.

Comment: The same facilities for obtaining jobs and houses in the new and expanding towns are open to immigrants as are open to the rest of the community. The reasons why relatively few coloured people go to live in most of the new and expanding towns are not yet fully understood. The Government has commissioned a research project by the Community Relations Commission to examine minority needs and the potential opportunities for them in new and expanding towns and the procedures by which people generally move to those towns. The project will consider a number of factors which may bear upon an individual's decision to move or not to move to a new town, e.g., economic factors, family and cultural networks, fear of hostility etc. and will attempt to identify means of removing any obstacles which exist and so encourage out-migration to the new and expanding towns.

The Government accepts that immigrants, as well as other groups in poor housing conditions in city centres, should be encouraged to make use of the machinery for moving to the new and expanding towns. In a recent consultation paper, "New Towns in England and Wales" the Government has indicated that in future development corporations will be asked to pay special attention to providing a proportion of their houses for those living in conditions of housing stress and that the allocation of housing for this purpose should not be dependent upon employment in the new town.

A memorandum about the research project and the relationship of new towns to problems of ethnic minorities was submitted to the Select Committee in May 1975 in connection with its latest investigation into the organisation of race relations administration.

Recommendation 6: Local authorities should take into account, when building new homes, the need of many immigrants for larger housing units.

Comment: In both their new building and conversion and improvement programmes, local authorities have a duty to take account of the needs of all those, including immigrants, living in their areas. Although recent advice (in DOE Circular 24/75) has emphasised the need for, and desirability of, smaller dwellings, the Government recommends to local authorities the provision of larger housing units in areas where they are needed. Paragraph 16 of the appendix to the joint circular on homelessness of 7 February (DOE 18/74, DHSS 11/74, Welsh Office 34/74) stressed the importance of adequate provision for large families who often have great difficulty in finding suitable accommodation.
Recommendation 8: Local authorities should bear in mind the desire for separate places of worship and the need for sites on which to build them.

Comment: The Government commends this recommendation to the attention of local authorities.

Recommendation 9: All bodies concerned should consider to what extent they can follow the most successful experiments on sponsoring or encouraging courses in spoken English.

Comment: The Government agrees with the Select Committee on the importance of teaching spoken English to immigrant adults and values the work which local education authorities and voluntary bodies are doing to this end: it has considered this recommendation with those made by the Select Committee in their 1973 Report on Education and 1974 Report on Employment, and schemes to promote language training at the place of work were introduced by a number of local authorities last year, with assistance from the Government.

Recommendation 10: There should be established a standing committee of representatives of all the London Boroughs specifically to consider dispersal and the best means of co-operation towards it.

Comment: Dispersal by movement to new and expanding towns is already an accepted method of helping to deal with housing shortage and unsatisfactory conditions in London. The machinery exists to deal with dispersal on this basis and in the light of the needs of London as a whole: it is kept under review by the Greater London Council and the London Boroughs Association.

The question of relative densities of housing between inner and outer boroughs is also important in the Greater London area. The Department of the Environment wishes to promote the expansion of local authority housing programmes in boroughs where land is more plentiful to help relieve pressure on the more hard pressed inner Boroughs. It has asked the outer boroughs to submit details of their projected housing programmes and will be discussing with them.
Recommendation 12: All local authorities should make a speedy appraisal of how far the housing needs of immigrants in particular may be met by a vigorous policy of urban renewal through rehabilitation.

Recommendation 13: The Department of the Environment should study closely the advantages of an accelerated programme of rehabilitation, should give advice to local authorities on it, and should consider what improved financial arrangements would be appropriate.

Comment: In so far as immigrants live in areas of housing stress, they will be helped by the Government's policies for dealing with urban deprivation. It would be neither appropriate nor practicable to single out immigrants for special help. The declaration by local authorities of housing action areas and priority neighbourhoods under the Housing Act 1974 will provide extra powers and assistance to tackle living conditions in the worst areas of stress. By improving those houses which have not slipped into irredeemable unfitness, these measures offer an alternative to large scale redevelopment. A gradual process of re-building and rehabilitation can, in conjunction, regulate urban renewal in such a way as to avoid, wherever possible, the disruption of established communities. The housing action area measures are, in particular designed specifically to secure, inter alia, the well-being of the persons for the time being residing in the area.

Recommendation 14: All local authorities concerned should think anew on what additional help and advice they can give to housing associations in their areas of poor housing; and where there are none, or not enough, what they can do to foster them.

Comment: Department of the Environment Circular 170/74 (Welsh Office 274/74) described the increased financial support provided for housing associations under the provisions of the Housing Act 1974, and made clear the Government's view that housing associations have an important role to play in helping local authorities to meet the whole range of housing needs, especially in stress areas. Local authorities are making an increasing use of housing associations in the way suggested in the Circular.

Recommendation 15: The Department of the Environment should give guidance on whether the sale of houses improved by housing associations is legal, and, if not, whether it should be made so.

Comment: Under the provisions of section 2 of the Housing Act 1974 registered housing associations may not dispose of any land or property without the consent of the Housing Corporation, and even unregistered housing associations may not dispose of land or property which has been provided with the assistance of public finance. The Corporation's consent would be given only in exceptional circumstances, since the Government's policy is that housing associations should provide the maximum amount of
accommodation to let at a moderate rent.

Recommendation 16: The National Federation of Housing Societies should consider how best to rationalise housing associations waiting lists.

Comment: The National Federation of Housing Societies (now the National Federation of Housing Associations) gave evidence to the Select Committee on this matter. The rationalisation of waiting lists to avoid duplication would in effect involve the establishment of a comprehensive central letting service which would be very expensive and cumbersome to operate, and would conflict with the local identity of housing associations, who in many cases accept tenants referred to them by local bodies operating in the social services field, and who also normally agree to accept a high proportion of nominations from local authorities. Most housing associations do not in fact keep long waiting lists, because they think it is better to give priority to those in the greatest need at the time when the housing becomes available.

Recommendation 17: All local authorities in whose areas overcrowding occurs should form, as soon as possible, a reasonably exact estimate of its extent and location.

Comment: Section 70 of the Housing Act 1969 (as extended by the Housing Act 1974) gives local authorities a statutory duty to inspect their areas from time to time with a view to determining what action to take in the performance of a wide range of their housing functions, including those relating to multiple-occupation.

The Government agrees that action directed to the reduction of overcrowding should be firmly based on reliable information as to its extent, location, and causes.

Although it will be necessary for on the ground inspection to precede action on individual properties, local authorities will be able to form estimates of the extent of overcrowding and multiple occupation and of its distribution within their districts not only from the knowledge of their professional officers but also from 1971 census data, which has become available since the Committee reported and which indicates for each enumeration district the numbers of households living at over 1.5 persons per room and of households sharing accommodation, and from local sources such as electoral registers.
Recommendation 18: Local authorities which do not already do so should put notices in overcrowded multi-occupied houses to ensure that when rooms are vacated they are not again occupied.

Comment: Section 19 of the Housing Act 1961 gives local authorities a flexible power to reduce or control the level of occupation of houses in multiple occupation, regardless of whether there is overcrowding as statutorily defined in the Housing Act 1957, having regard to the amenities and means of escape from fire provided in them. If at the time a direction is given there are more people occupying the house than it allows then they do not lose their security of tenure or have to move immediately; it is however, an offence to permit anyone to take up residence if this would involve exceeding a limit set in a direction. A direction may specify limits for parts of houses including individual rooms. When a direction has been made, a copy must be posted up in the house where it is accessible to those living in the house. The Government encourages local authorities to use Section 19 where conditions in houses in multiple occupation call for it.

Recommendation 19: Local authorities should grant mortgages on larger houses suitable for multi-occupation only on condition that overcrowding will not occur.

Comment: Local authorities have power to grant mortgage loans to applicants who want to buy larger property only for partial occupation by themselves. Local authorities have been advised that in areas where conditions of overcrowding seem likely to develop, the Secretaries of State would expect the council to include in their mortgage agreement conditions enabling the council as mortgagees to approve the number of other people to whom the mortgagor may offer lettings.

Recommendation 20: Local authorities which do not have registration schemes should consider their use.

Comment: Since the date of the Committee's report, 16 registration schemes made under section 22 of the Housing Act 1961 (as amended and extended by the Housing Acts 1964 and 1969) have come into effect, there having previously been 15 such schemes together with one made under a Local Act. When the Housing Act 1969, under which "control provisions" may be included in registration schemes, came into force a Departmental Circular (MHQ Circular 61/69, Welsh Office Circular 66/69) recommended authorities with substantial problems of multiple occupation to consider making a regulatory scheme containing such provisions. The Department ask each authority who make a scheme to submit a short report after two years and it appears that although in some areas schemes have been useful they are not everywhere a worthwhile addition.
to other powers. Thus whilst the Government does not disagree with the Committee's recommendation, it advises authorities to consider carefully whether the problems associated with multiple occupation in their areas are such that the registration provisions would be relevant to them.

Recommendation 21: Where there are young boys living in all-male households, local authorities should, as a matter of priority, inquire into the situation, take what local action they can, and inform the Home Office.

Comment:

Provision was made in the Commonwealth Immigrants Act 1968 and is continued in the current Immigration Rules to prevent children from coming to the United Kingdom, save in exceptional circumstances, unless both parents accompany them or are already here. It is believed that as a result of these measures and the steps which the Government is taking to accelerate the arrival of immigrants' families, the problem is substantially reduced.

Recommendation 22: There should be a more concerted and strongly directed effort towards the elimination of overcrowding due to multiple occupation.

Comment: The provisions of the Housing Act 1974 for housing action areas (HAA's) and priority neighbourhoods (PNs) which came into effect on 2 December 1974 are intended to strengthen the hand of local authorities needing to tackle areas of stress where progress depends upon a determined concentration of effort. HAA's and PNs are to be areas where physical and social factors combine and interact to create unsatisfactory living conditions. The guidance which, under the Act, the Secretary of State for the Environment has given to local authorities in England as to the selection of HAA's includes among the principal social indicators to which authorities should have regard:

i. the proportion of households sharing cooking facilities, a bath, a water closet or other facilities, and

ii. the proportion of households living at a density of over 1.5 persons per room (or any other relevant measure of overcrowding)

The corresponding guidance for Wales also singles out these indicators though, because of the different nature of housing problems there, they are given slightly less emphasis. Within HAA's, local authorities will be mounting comprehensive action programmes designed to improve living conditions in the interests of the existing residents not only by physical improvement of the housing but also by tackling the social factors contributing to stress.
Recommendation 23: The Government should hold appropriate consultations with a view to legislation providing that loan agreements for the purchase of dwellings, and advertisements in connection with them, should mention a rate of interest not less than the effective rate.

Comment: This recommendation was considered by the Government in the light of the recommendation of the Crowther Committee on Consumer Credit that the cost of borrowing, in terms of a rate per cent per annum, should be stated in all advertisements of consumer credit facilities in which reference is made to the cost of borrowing or buying on credit, or to any element of such cost. Following the publication of their White Paper "Reform of the Law on Consumer Credit" (Cmd 5427; September 1973), the previous Administration introduced legislation which the Government reintroduced (with certain modifications) and which subsequently became the Consumer Credit Act 1974. Regulations which it is intended to make under the Act are likely to provide that any advertiser must either mention the interest rate in his advertisement or must be prepared to supply such information on demand. The regulations will apply to advertisements for loans of any size for the purchase of dwellings, no matter by whom granted or advertised. As far as agreements are concerned, the position is more complex. The Act covers these within a stated limit (£5,000) and at a true interest rate above a prescribed limit, but it does not cover agreements made by building societies and other recognised house purchase lenders (eg local authorities) because it is not the intention to complicate building society and house conveyancing law.

Recommendation 24: Local authorities should be encouraged to take full advantage of the abolition of ceilings on local authority loans.

Comment: It has been found necessary to re-impose ceilings on local authority mortgage lending. Within the limits it is proposed that the existing priority categories of borrower will continue to apply; these include purchasers of older property suitable for single family occupation for which it may be difficult to obtain a commercial mortgage.

Recommendation 25: The attention of building societies and local authorities should be drawn to the provisions of section 45 of the Housing (Financial Provisions) Act 1958 and they should be encouraged to use it when they can, together with the provisions of the option mortgage scheme.

Comment: Section 45 of the Housing (Financial Provisions) Act 1958 enables local authorities, with the approval of the Secretary of State, to guarantee the repayment of advances by building societies. These provisions are little used because there is already a system of mortgage indemnity insurances provided by insurance companies and because of the growth of the option mortgage guarantee scheme which was introduced in
section 30 of the Housing Subsidies Act 1967. Under the option mortgage guarantee scheme building societies are willing to grant option mortgages higher than normal advances on properties up to a value of £12,000. The loan is guaranteed by insurance companies and the Government. There is no charge made for the Government's participation in the scheme so that the insurance premium paid by the option mortgagor is less than would otherwise be the case. 32,000 option mortgages were guaranteed in 1974, 10,000 of which were guaranteed in the October-December quarter.

Recommendation 26: All building societies, and the Building Societies Association in particular, should consider to what extent they can contribute to the buying of older property by varying their interest rates according to the type of property.

Comment: The Building Societies Association have been consulted and in their view it would be undesirable to make a general practice of varying mortgage rates according to the age of property. The societies in general have safeguards other than special interest rates against any unusual risks they may incur on older property, such as the level of valuation for the property concerned or possibly an indemnity guarantee.

Recommendation 27: In studying the report of the Francis Committee, the Government should take account of our evidence.

Comment: The powers given to housing authorities in the Housing Act 1974 to declare housing action areas and priority neighbourhoods, and thereafter to exercise the new powers available to them in these areas, will to a great extent meet the points the Select Committee had in mind in paragraphs 184-187 of their report. As the Select Committee will know, the Rent Act 1974 has now extended security of tenure to furnished tenants other than those whose landlords live in the same building.

Recommendation 28: The Department of the Environment should take steps to tighten the law on rent books.

Comment: Amendments have been made to the regulations covering rent books, but the Government has no immediate proposals for extending the present requirement that a landlord must make a rent book available for a tenancy for which the rent is payable weekly since the majority of non-weekly tenants normally have some formal contract with their landlord.
Recommendation 29: The Government should consider to what extent employers should be made responsible for ensuring that accommodation is available for new immigrant workers.

Comment: Many of the areas of labour shortage to which migrants have been attracted suffer from inadequate housing and the Government accepts that employers should take account of this in recruiting labour, though it should be pointed out that new immigration is likely to constitute only a small element in the future requirements for housing.

Recommendation 30: The Department of the Environment should study the wording of the relevant Acts relating to harassment to see where minor amendments could bite.

Comment: The working of section 30(2) of the Rent Act 1965 relating to the offences of harassment and illegal eviction has been reviewed. As recommended by the Committee on the Rent Act, section 30 of the Criminal Justice Act 1972 has increased the penalties for harassment - they are now, on summary conviction, a fine not exceeding £100 or imprisonment for up to six months, or both, and on conviction on indictment, a fine or imprisonment for up to 2 years or both. As regards the wording of the 1965 Act itself, however, the Government is not satisfied that any further amendment would be an improvement on the present provisions and although these provisions are kept under continuous review, the Government has at present no proposals for legislation in this field.

Recommendation 31: Local authorities which know of, or suspect, harassment in their areas should consider allocating to one of their staff the duty of assessing its extent and following up alleged cases.

Comment: Coloured immigrants are not alone in being susceptible to harassment. Where the problem exists the Government considers that the local authorities are themselves best placed to decide what to do about it and how to organise their staff to deal with it. The Department of Environment Circular 15/73 reminded local authorities of the increased penalties for harassment and unlawful eviction and encouraged them to use their ample powers to obtain legal remedies to the full.
Recommendation 32: Immigrant and other organisations should report incidents of alleged unlawful discrimination to the Race Relations Board. The Board should energetically seek to improve and increase its information about what the Race Relations Act 1965 offers. The Community Relations Commission and its local councils should help in this.

Comment: The Government fully endorses the encouragement of those who consider that they have suffered unlawful discrimination to take up the matter with the Race Relations Board. The Board has intensified its publicity activities to ensure that as many people as possible are aware of how the law works; the Community Relations Commission is also endeavouring to increase public awareness in this area.

Recommendation 33: Local authorities should give maximum publicity to their rules and practices. They should ensure that all their officers are clearly aware of their policies. Those which have residential qualifications should closely and regularly scrutinise them to see if they are really needed.

Comment: The Government notes that the Committee found little evidence that the policies of local authorities were discriminatory on grounds of race or colour, or that these policies were not properly carried out by most local authority officers. However, the Government strongly commends the recommendations to local authorities, not only in relation to immigrants but as matters of good management practice.

Recommendation 34: All building societies and estate agents should draw the attention of their branches and associates to the Race Relations Act, and impress on their officials that discriminatory policies will not be countenanced.

Comment: Discrimination on grounds of race in the provision of facilities for loans, credit or finance and, with certain minor exceptions, in the disposal of housing accommodation is unlawful under the terms of the Race Relations Act 1968. The Building Societies Association is satisfied that officials and agents of building societies are already aware of this position. The Department of Trade has drawn the attention of societies and institutions which include estate agents in their membership to the Committee's recommendations.

Recommendation 35: Housing aid centres should be widely established, in one form or another, to deal not only with public but, where appropriate, private housing. Basic essential features ought to be: ease of access; a relaxed atmosphere; adequate staff; positive aid - which means direct links to all departments concerned with housing problems.

Recommendation 36: The Department of the Environment should encourage and help local authorities to further progress in setting up housing aid centres.
Recommendation 37: Widespread publicity, including whenever possible the use of cinemas, local radio and television, should be given to housing aid centres when they are set up, the help of voluntary bodies, including immigrant organizations, enlisted and close contact maintained with building societies and estate agents.

Comment: The Government shares the view that housing aid centres (HACs) are desirable, particularly in areas of housing stress, so as to provide people with information and guidance on housing matters in both the public and the private sectors. Some 145 HACs are known to the Department of the Environment to be operating in England at present, of which about 80 are administered by local authorities and the remainder by voluntary bodies; more are in the process of being set up. Most of these HACs have opened since the Committee reported in 1971.

Many HACs are in stress areas. There are, for instance, 55 of them in Greater London. Some 60 grants have been made by the Home Office in consultation with the Department of the Environment under the Local Government Grants (Social Needs) Act 1969 (the "Urban Aid Programme") for the establishment of HACs or to assist their operation.

Most HACs have been well publicized locally and have established links with bodies such as those mentioned in recommendation 37. HACs normally deal with both public and private sector housing problems and the Government agrees with the Committee that this is right.

Recommendation 38: The Government should consider the implementation of the report of the Advisory Committee on the better provision of legal Advice and Assistance in so far as it relates to housing.

Comment: Parliament has enacted the Legal Advice and Assistance Act 1972 which gives effect to the recommendations of the Legal Aid Advisory Committee's Report. Parts 1 and 3 of this Act were brought into force on 2 April 1973, the Act has now been consolidated to form part of the Legal Aid Act 1972.

Recommendation 39: Local authorities and other bodies should consider what further use they can make of publicity and of home visiting.

Comment: The Government commends this recommendation to local authorities and voluntary organisations working in concert with them. However, they accept that any proposed extensions of existing practices must be considered in the light of current restrictions on local authority expenditure.
Recommendation 4.0: Responsible immigrant organisations should keep in touch with local authorities so that they can usefully extend communications with their members on housing matters. The Community Relations Commission should increase its efforts to help such organisations to do so.

Comment: Local community relations councils and other groups have been increasingly active over the past few years in promoting greater contact between local authority housing departments and 'immigrant' communities. The Community Relations Commission has appointed a senior housing officer to undertake work in this field. The Government welcomes these moves.

Recommendation 4.1: All appropriate local authorities should consider the employment of immigrants on their staffs, particularly where they may expect to make frequent contact with fellow immigrants.

Comment: The recruitment of local authority staff and their allocation to particular duties is a matter for the authorities themselves but they have no doubt taken note of this recommendation. The Government recommends that local authorities should consider giving appropriate training to officials who are likely to come in contact with immigrants.

Recommendation 4.2: The Department of the Environment should set up a small group to study the best methods of ensuring effective communication on housing matters, having particular attention to the special problems of immigrants, and advise local authorities and others of their findings.

Comment: The Government does not consider that the establishment of a central Government study group is likely to lead to worthwhile improvements in this field. It regards the bodies - principally local authorities, housing associations, building societies, and housing aid centres - normally responsible for providing housing and the financial, legal and other services connected with it as best able to decide how most effectively to interpret the wide and complex range of housing matters, in practical terms, to those (including immigrants) who should know about them.

Recommendation 4.3: The Department of the Environment, local authorities concerned and such national bodies as those representing estate agents, building societies and housing associations should begin or expand the publication of housing information in other languages.

Comment: The housing literature issued by the Department of the Environment which is most relevant to the matters covered by the Select Committee's Report is already published in a variety of languages. This practice will be continued. Many local authorities with immigrant populations also publish housing material in appropriate languages.
Recommendation h4: The Government should make arrangements to ensure that future immigrants are given as much information as possible about the housing situation in Britain either before they leave their homeland or immediately upon arrival here.

Comment: Most new immigrants are impelled to seek housing in the vicinity of the jobs to which they are coming, and detailed information on housing is not likely to be of much use to them before they leave home. Entry Certificate Officers abroad distribute to immigrants, before their departure for this country, copies of the leaflet "Introduction to Britain" which gives general guidance on a number of subjects, including housing in this country. The leaflet also says where further, more detailed, advice can be obtained after arrival here. This leaflet is revised from time to time to keep it up to date.

Recommendation h5: All local authorities involved should take vigorous action towards the provision and encouragement of pre-school activities and amenities in deprived areas, paying particular attention to the special difficulties of children of immigrants.

Recommendation h6: The Government should consider sympathetically applications from local authorities under the urban programme directed to these ends.

Comment: In invitations issued in recent years to submit applications for Urban Programme Grants, the attention of local authorities (and of voluntary organisations who might wish to submit proposals to local authorities) has been drawn to the importance attached to provision of pre-school facilities and amenities in areas of special social need, including areas where there are large numbers of immigrants. Facilities suggested have included family centres, boarding-out and day fostering schemes (including schemes of training for child minders), mothers' and toddlers' groups and play groups.

Since these recommendations were made, the Government has begun a programme for the expansion of nursery education, within which the socially deprived areas are receiving priority; see the observation (in Cmd. 5720, "Educational Disadvantage and the Educational Needs of Immigrants") on Recommendation h4 of the Select Committee's 1973 Report on Education. Now that the Education Department allocate resources for nursery education building, applications for this purpose are no longer invited under the Urban Programme.
CABINET

REDEVELOPMENT OF THE LONDON DOCKLANDS

Note by the Secretary of State for the Environment

For the information of my colleagues, I am circulating with this note a copy of the Government Observations on the Fifth Report of the Expenditure Committee (Environment Sub-Committee) Session 1974-75 on the Redevelopment of the London Docklands (Cmnd 6193) which is to be published at noon on Monday 11 August.

A C

Department of the Environment

8 August 1975
Redevelopment of the London Docklands

Government Observations on the Fifth Report from the Expenditure Committee (Environment Sub-Committee): House of Commons Paper 348, Session 1974-75

Presented to Parliament by
the Secretary of State for the Environment,
by Command of Her Majesty
August 1975

LONDON
HER MAJESTY'S STATIONERY OFFICE
18p net
Cmnd. 6193
1. In May 1975, the Expenditure Committee of the House of Commons published their report on the Redevelopment of the London Docklands*. This report was based on the consideration which its Environment Sub-Committee gave earlier in the year to evidence from Government Departments, the Docklands Joint Committee, the Greater London Council (GLC), the five London boroughs concerned and other public bodies, private individuals and interested organisations. This White Paper conveys the Government's observations on that report.

2. The Sub-Committee addressed itself particularly to three aspects of the redevelopment of Docklands:—
   —finance and public expenditure,
   —the organisational structure for the task, and
   —employment policies.

   The report's conclusions and recommendations on these aspects are individually discussed in the latter part of this paper, but the Government has some more general observations to make first to set the scene.

GENERAL OBSERVATIONS

3. The redevelopment of the London Docklands is, of its kind, the greatest challenge of our time. Docklands covers 8½ square miles, and is the largest area in London available for redevelopment since the Great Fire over 300 years ago. It is the largest urban area for redevelopment in Europe. It already provides a home for about 55,000 people, and in a generation will have the population of a medium-sized town. The task is to provide many new homes, new places of work, and the amenities of modern life, not only for those who live or work in the area today, but also for those who will live or work in the area in the future; not only for the present generation but also for their children, and their children's children.

4. Although the timescale for the operation, and the cost remain to be worked out, there is no doubt, even now, that both will be very substantial. There have been developments on this scale before—for instance in the planning and development of new towns; but in Docklands there are special complexities:

   this is not a site in the green fields, but one where people work and live already—and redevelopment must be carried out in such a way as to preserve and enhance the every day life that people lead meanwhile;

*House of Commons Paper 348, Session 1974-75.
the obsolescent heritage of the past provides opportunities—but it also creates difficulties for new development; and some of these, if they are to be overcome, can only be overcome at high cost;

Docklands is not self-contained, nor should it be: its development is part of the development of the five boroughs in which it lies, within the physical and financial framework of London as a whole, and within the broader context of the South East.

This is the magnitude and difficulty of the task that confronts the Docklands Development Team and the Docklands Joint Committee. The continuation of the Docklands Joint Committee was recommended by the Expenditure Committee, and for the reason given in paragraph 16 below, the Government is confident that the Committee and the Team will be equal to this unique opportunity and challenge.

5. The Government welcomes the Expenditure Committee's report on this important undertaking and thanks the Environment Sub-Committee for examining it with such care. It notes the careful thought given to the regional implications of the development, and agrees with their conclusion that Docklands employment problems are symptomatic of a wider structural change taking place in London as a whole—and that the evidence does not support a basic change in Industrial Development Certificate (IDC) policy in favour of Docklands. It notes the Committee's view that financial commitments in Docklands will have to be at the expense of other public sector projects, or add to public sector borrowing requirements.

OBSERVATIONS ON SPECIFIC RECOMMENDATIONS

6. The Committee made eight specific recommendations, and the paragraphs which follow give the Government's views on them.

Public Expenditure

Recommendations 1 and 2 (Report: paragraphs 30 and 31)

7. The Committee recommended:

"that the Department of the Environment should, where a significant Government financial commitment may be involved, give firm guidance at an early stage regarding the possible range and/or phasing of public expenditure"; and

"that DOE should give specific guidance on the level of public expenditure commitment for Dockland, and that the Government should state its intentions on the question of providing financial support".

8. The Government is already taking steps to bring local authorities more into its forward planning of public expenditure, notably through the newly-formed Consultative Council on Local Government Finance. As part of this process of consultation it will be giving more guidance to authorities on the public expenditure resources likely to be available at least within the normal five year horizon of the annual public expenditure survey. These discussions are concerned with national totals on individual local authority services rather than with the methods by which individual Government departments may
from time to time decide on the distribution of borrowing approvals between individual local authorities for specific projects. Nor can they by their nature cover the decisions which an individual authority may itself take about the distribution within its area of the resources available to it. Within these limitations, however, the Department is prepared to discuss with the authorities concerned the pace at which resources are likely to be available for the redevelopment of Docklands.

9. Developments in Docklands will be eligible for the normal forms of Government financial support to transport, housing and other purposes. The Government has no plans for special forms of support over and beyond these. But within the normal forms of support the Government believes that important progress can be made piece by piece and phase by phase within the framework of the overall strategy.

Recommendation 3 (Report: paragraph 32)

10. After discussing the allocation of resources within any one region, the Committee recommends:

“that the current monitoring of progress of the Strategic Plan for the South East should be widened to include the preparation of proper criteria for national guidance to planning authorities on priorities for major regional expenditure”.

11. In setting up the review of the Strategic Plan for the South East, the Government has recognised the importance of relating the proposals contained in the Plan for the distribution of population within the region to the levels of real and financial resources likely to be available to the public sector. Accordingly studies have been set in hand of the overall allocation of public sector funds within the region, together with an assessment of the importance of specific major projects to regional planning objectives. An important objective of this work will be to ascertain the relative costs falling on the public sector of alternative patterns of urban development, as between different parts of the region, in particular, between London and the rest of the South East.

12. Ideally, as noted in paragraph 27 of the Committee’s report, criteria for assessing the merits of alternative forms and patterns of development should include an assessment of the wider social and economic implications for individuals, industry and commerce. It will be possible to cover only some of these, possibly only in specific geographical locations, in the time-scale of the current review. Many items are very difficult to measure in quantitative terms and hence to embody in formal criteria. The public sector resource studies, which are due to be completed by the middle of next year, will, however, make an important contribution towards the development of criteria for the allocation of resources within the region.

13. The main strategic significance of the redevelopment of the Docklands lies, however, in East London and Greater London as a whole. In population terms, for example, Docklands will never form more than one per cent of the population in the South East. While the regional studies will provide the overall context for decisions in Docklands, priority should be given to reaching decisions on its development which meet the needs of the area and those most closely related to it.
Recommendation 4 (Report: paragraph 33)

14. The Committee gave particular consideration to expenditure on the improvement of public transport serving Docklands. It recommended:—

“that studies should be made of alternative proposals for a long-term Dockland public transport system based upon existing surface lines and rights of way”.

15. The Docklands Joint Committee has already published a consultation paper entitled “The Dockland Spine—Tube, Bus or Tram?”, which discusses the merits of various means of providing for improved east-west communications, including the use of existing surface lines and rights of way as well as the River Line option. A further paper dealing with the transport infra-structure for Docklands as a whole has also been published. Between them, these papers provide the framework for considering the relative merits of individual projects, among which the River Line is the most prominent. Specific proposals and priorities for investment will need to be considered within the framework of the GLC’s Transport Policies and Programme submissions for London as a whole. Any Government contribution to the financing of transport projects for Dockland will be through Transport Supplementary Grant. They will have to compete with other priorities within London and in the rest of the country.

Organisational Structure

16. The Committee scrutinised closely the organisational structure for the Docklands project, and the powers available to the Docklands Joint Committee. The Government welcomes and endorses the Committee’s main conclusion on this, that the Docklands Joint Committee should continue at any rate for the present as the responsible authority for the redevelopment of Docklands. It is natural that there should have been debate in evidence to the Expenditure Committee and elsewhere about the type of organisation best suited to this unique task. The Government consider that it is now appropriate to bring the debate to a close, and is glad of the chance to state its own firm conclusion on the matter. Because the Joint Committee is constituted from the five London Boroughs and the Greater London Council, and can, by delegation exercise certain of their powers, the Government consider it to be the right mechanism to carry forward the strategic planning of the project in full and due accord with the requirements and development of the surrounding area.

Recommendations 5 and 6 (Report: paragraphs 42 and 46)

17. Within this framework the Committee recommended:—

“that the number of co-opted members (on the Docklands Joint Committee) should, as a matter of urgency, be increased to the maximum (i.e. eight), and the range of experience and interests of the co-opted membership broadened as widely as is practicable”; and

“that the land acquisition and disposal functions of the Councils under the Community Land Bill, if enacted, should be delegated to the Docklands Joint Committee”.

18. The Government agrees with the Expenditure Committee that the Joint Committee’s membership should be broadened by filling the outstanding vacancies
on it for outside, co-opted members. This is primarily a matter for the Joint Committee, whose standing orders provide that they shall have regard to any nominations made for this purpose by the Secretary of State for the Environment. Consultations about this have taken place, and the Government hopes that the Expenditure Committee's recommendation will be fulfilled. The Government also fully accepts the Committee's comment on the role of the DOE observers on the Officers' Steering Group (para. 44). These officials will continue to offer constructive guidance, as and when appropriate, and to help maintain the momentum of the Dockland project.

19. The Government takes note of the Expenditure Committee's view that all necessary powers should be delegated to the Joint Committee, and of the specific recommendation that the land acquisition and disposal functions of the Councils under the Community Land Bill, if enacted, should be so delegated. Initiative on the delegation of powers lies with the Joint Committee and its constituent authorities. The Government understands that they are already considering how the local authorities' responsibilities under the Community Land Bill should be operated in the Docklands area.

Regional Employment Policies

Recommendation 7 (Report: paragraph 57)

20. The third main subject considered by the Committee was employment. The Committee recommended:—

"that urgent consideration should be given to the large-scale provision of retraining facilities in the general area of docklands".

21. The Training Services Agency already has nearly 420 training places in colleges and employers' establishments in the Docklands area and just under 400 places at the Poplar Skillcentre. There are plans for another Skillcentre at Deptford which would provide about 340 more training places. Docklands residents can also be considered for training at other Skillcentres in London. Compared with the existing 1,900 training places at Skillcentres in London as a whole, the provision of some 740 places at Poplar and Deptford would amount to a substantial number of places in the Docklands area. In addition the Training Services Agency is always prepared to consider opportunities for increasing the number of those training in colleges and employers' establishments. Some 90 per cent of trainees are normally placed in their trades on successful completion of their courses.

Recommendation 8 (Report: paragraph 59)

22. Recognising the importance of access to employment, the Committee recommended:—

"that steps should be taken to secure the early provision of better bus and rail services and interchange facilities in order to improve access to employment".

23. The Government accepts that early improvements to existing public transport services and the provision of better transport interchange facilities in and around the Docklands are needed, to widen the effective labour catchment
area for existing and prospective employers in Docklands and to offer to Docklands residents a wider range of job opportunities both within and outside their local areas.

24. The responsibility for making specific recommendations for action, including in the short-term, rests initially with the Docklands Joint Committee. It has recognised the need for action. Proposals for making good some of the immediate deficiencies of public transport in Docklands are outlined in a working paper "Transport and Communications" which has now been published. This will provide a basis for informed discussion of the problems and opportunities to remedy both the short-term and longer-term deficiencies of the area. The Joint Committee is expected to put firm proposals to the Greater London Council and the transport operators in the early autumn. The financing of particular schemes that are mutually agreed to have priority will be handled within the framework of the Greater London Council's Transport Policies and Programmes. These will provide the context for appraisal of any resultant claims for grant-aid from Central Government.

CONCLUSION

25. The redevelopment of Docklands will take at least fifteen years to complete. The Joint Committee has been in being for just over a year and during that time has made good progress. However, many important decisions remain to be taken. The Expenditure Committee's report helps the Government and the Joint Committee to see the way ahead and pinpoints some of the major problems to be overcome. The Department of the Environment will continue to keep in close touch with the Docklands Joint Committee and with the progress of its work. Within the limits of the resources at its disposal, the Government will do all it can to help the redevelopment of Docklands to go forward with all speed.
CABINET

RACIAL DISCRIMINATION

Note by the Secretary of State for the Home Department

I attach, for the information of my colleagues, a copy of the White Paper on Racial Discrimination which is to be published on Thursday, 11 September 1975.

R J

Home Office
9 September 1975
Racial Discrimination
RACIAL DISCRIMINATION

INTRODUCTION

1. A decade has elapsed since the introduction of the first race relations statute in this country. The time has come to evaluate the working of the legislation. In carrying out this review, the Government has been greatly assisted by the information provided by the Race Relations Board, the Community Relations Commission, the Runnymede Trust, Political and Economic Planning, organisations within the minority communities, voluntary bodies dealing with different aspects of race and community relations, and individual experts.

2. The Government wishes to make a special acknowledgement to the Select Committee of the House of Commons on Race Relations and Immigration which has, since 1968, conducted a number of enquiries and produced a series of detailed reports and recommendations on some of the major aspects of race relations and immigration (education, employment, housing, police/immigrant relations, the problems of coloured school-leavers and the control of Commonwealth immigration). In particular, the most recent report of the Select Committee on the organisation of race relations administration, published on 21 July 1975, has made a number of important and far-reaching recommendations about the role of central and local government and related matters. The Government has taken note of those recommendations of the Select Committee which affect the proposals it is now putting forward. The Government will make a considered response to Parliament to these and the many other wider recommendations in the Report as soon as possible.

3. Immigration and race relations have been closely linked in the public mind in the past decade and a half. The source of much of the confusion and anxiety which has surrounded these questions is the absence in our nationality law of any clear and positive concept of citizenship. Largely for historical reasons derived from our imperial past, there is no coherent definition of who is and who is not a citizen of this country; and distinctions made in our citizenship laws have been employed for the quite different purpose of controlling immigration. One consequence has been the widespread if mistaken criticism of successive Governments both for being racially discriminatory in their immigration control policies and also for failing to exercise effective control over immigration. The Government is undertaking a comprehensive review of the law of citizenship. The aim is to reform our citizenship laws in such a way as to enable the control of future immigration to be seen to be effective, to be flexible and to be free from any racial discrimination. The hope is that it will then be possible to bring to an end the acrimony, controversy and uncertainty which have hampered our capacity as a society to deal with the problems of race relations.

4. Much has changed in the ten years since the introduction of the first statute on race relations, both in the character of race relations and in the general understanding of the issues and problems involved. Ten years ago this country was still receiving substantial numbers of immigrants from the new Commonwealth. In 1964, the year preceding the first Race Relations Act, nearly
53,000 people from the new Commonwealth entered this country for settlement, of whom over a quarter were holders of employment vouchers who were entitled to bring in their dependants for settlement. In 1974 22,000 people were admitted for settlement from these countries. The overwhelming majority of these were either United Kingdom passport holders—to whom we have a special commitment—or dependants of people already settled here. In the same year 2,200 holders of work permits were admitted (for temporary residence) from the new Commonwealth. Finally, and of great significance to the subject of this White Paper, the character of the coloured population resident in this country has changed dramatically over the decade. Ten years ago, less than a quarter of the coloured population had been born here: more than three out of every four coloured persons then were immigrants to this country, a substantial number of them fairly recent arrivals. About two out of every five of the coloured people in this country now were born here and the time is not far off when the majority of the coloured population will be British born. The Government’s proposals are based on a clear recognition of the proposition that the overwhelming majority of the coloured population is here to stay, that a substantial and increasing proportion of that population belongs to this country, and that the time has come for a determined effort by Government, by industry and unions, and by ordinary men and women, to ensure fair and equal treatment for all our people, regardless of their race, colour, or national origins. Racial discrimination, and the remediable disadvantages experienced by sections of the community because of their colour or ethnic origins are not only morally unacceptable, not only individual injustices for which there must be remedies, but also a form of economic and social waste which we as a society cannot afford.

5. Immigrants from the coloured Commonwealth came to Britain in the first instance in search of work, and their settlement patterns reflect this fact. About two-thirds of all coloured immigrants live in the six major conurbations, the great majority of them in the two main centres of coloured settlement—Greater London and the West Midlands.

6. There is clear evidence that, within these major areas of settlement, an excessively high proportion of coloured people live in the relatively more deprived inner city areas. In other words, these areas of housing stress are disproportionately coloured.

7. The pattern of unemployment is not uniform over all coloured groups. The 1971 Census suggests that young West Indians suffer from unemployment with exceptional severity. There are indications that coloured women, although less likely to be at work than white women, are far more likely to be in full-time work when they do go out to work. They are more heavily concentrated in the lower socio-economic groups. The proportion of coloured women with dependent children who are working full time is much higher than that of white women, and far higher proportions work longer hours than do white women. Moreover, as the most recent Political and Economic Planning investigation of the Extent of Racial Discrimination has shown, despite the Race Relations Acts, substantial discrimination continues to occur at work. Political and Economic Planning estimated that a coloured unskilled worker has a one in two chance of being discriminated against when applying for a job, a coloured skilled worker a one in five chance, and a coloured white-collar worker a one in three chance.
8. The latest figures suggest that the housing conditions of the coloured population have hardly improved in the last ten or fifteen years. The proportion of them who live in overcrowded conditions or who are forced to share the basic amenities is higher than that for the population at large. Coloured people are grossly over-represented in the private furnished rented sector, where conditions are worst and insecurity greatest, and significantly under-represented in the council housing sector.

9. Not all the evidence is as grim and discouraging as the preceding paragraphs may suggest. Nearly half the coloured households own their houses—almost exactly the same proportion as white households. In Greater London, where concern has been expressed about the concentration of black workers in dirty and menial jobs, there is evidence that a substantial proportion of West Indians are in skilled manual employment. The proportion of young Asians out of work has been lower than that of young people in general. It is important not to lend credence to unrelieved pessimism and prophecies of doom, and particularly important not constantly to associate the coloured population with "problems". It nonetheless remains the case that the condition of the coloured population in the mid-1970s gives cause for concern.

10. It was not unreasonable in the early 1960s to expect that many of the difficulties experienced by the coloured population stemmed from the fact that they were recent arrivals in this country and that, with the passage of time, greater familiarity on their part and greater acceptance on the part of the indigenous population, some at least of these difficulties would diminish or disappear. The emerging evidence suggests that that early optimism may not be justified, that the problems with which we have to deal if we are to see genuine equality of opportunity for the coloured youngsters born and educated in this country may be larger in scale and more complex than had been initially supposed.

11. The possibility has to be faced that there is at work in this country, as elsewhere in the world, the familiar cycle of cumulative disadvantage by which relatively low-paid or low-status jobs for the first generation of immigrants go hand in hand with poor and overcrowded living conditions and a depressed environment. If, for example, job opportunities, educational facilities, housing and environmental conditions are all poor, the next generation will grow up less well-equipped to deal with the difficulties facing them. The wheel then comes full circle, as the second generation find themselves trapped in poor jobs and poor housing. If, at each stage of this process, an element of racial discrimination enters in, then an entire group of people are launched on a vicious downward spiral of deprivation. They may share each of the disadvantages with some other deprived group in society; but few other groups in society display all their accumulated disadvantages.

12. The Government is bound to take that prospect seriously, although it cannot be said too often that there is not as yet sufficient evidence to demonstrate beyond argument that this is what is actually happening. It would clearly be irresponsible to wait for more conclusive evidence of deteriorating race relations and entrenched racial inequality. It is the Government's duty to prevent these morally unacceptable and socially divisive inequalities from hardening into entrenched patterns. It is inconceivable that Britain, in the last quarter of the
20th century, should confess herself unable to secure for a small minority of around a million and a half coloured citizens their full and equal rights as individual men and women.

13. The Government is convinced, as a result of its review of race relations generally and of the working of the legislation, that a fuller strategy to deal with racial disadvantage will have to be deployed than has been attempted so far. The complexity of the problem demands a commensurate degree of care in the approaches adopted. There still remain a set of problems which arise because we are dealing with newcomers. It is not to be assumed that these problems will disappear without residue simply with the passage of time, for some of the problems which coloured immigrants faced as immigrants, for example linguistic problems, have created handicaps for the second generation (West Indian as well as Asian) which will continue to require attention and resources for some time to come. Beyond the problems of cultural alien-ness, there are the problems of low status, of material and environmental deprivation which coloured immigrants and, increasingly, their children experience. To the extent that they share all or some of these problems with other groups in society, a general attack on deprivation will be relevant to their problems. But there may be a special dimension to their problems to the extent that the factor of racial discrimination multiplies and accentuates the disadvantages which are shared in part with others. Finally, the problems of racial disadvantage can be seen to occur typically in the context of an urban problem whose nature is only imperfectly understood. There is no modern industrial society which has not experienced a similar difficulty. None has so far succeeded in resolving it.

14. The review of race relations undertaken in the past year has convinced the Government that if urgent action is necessary, it is even more necessary to devise policies which are coherent rather than spectacular, to set targets which are relevant and realisable rather than dramatic. The gravity of the prospect demands action, but it places a premium on carefully considered action, consistently carried through. Nothing at this juncture could be worse than bold promises without the means of implementation.

15. The Government has a special responsibility as an employer. An unequivocal statement of the Government's equal opportunity policy has been made to all Departments covering all grades and positions in both the industrial and the non-industrial Civil Service. The policy states, with the full support of staff representatives, that there will be no discrimination against any person eligible under the nationality rules whether in recruitment, training or promotion or in any other way, on the grounds of colour, race, ethnic or national origins.

16. The responsibility for implementing the policy has been clearly laid on the Principal Establishment Officer of each Department. Personnel officers and line managers are responsible to their Principal Establishment Officer for ensuring that the policy is known to all staff.

17. Departments have been warned to be on their guard against any unconscious discrimination, including preconceptions and prejudices in such areas as the allocation of work and the assessment of managerial potential. They have also been advised that special training (for instance in communication and understanding the Civil Service system) may be desirable to enable staff to realise their full potential in the Civil Service.
18. While there is no evidence, either from complaints to the Race Relations Board or departmental managements, that the policy is not working satisfactorily, and no indication that ethnic minorities consider they are being discriminated against, the Government considers that a vital ingredient of an equal opportunities policy is a regular system of monitoring.

19. Since 1969 all Government contracts have contained a standard clause requiring contractors in the United Kingdom to conform to the provisions of the Race Relations Act 1968 relating to discrimination in employment and to take all reasonable steps to ensure that their employees and sub-contractors do the same.

20. It would be the intention of the Government when new legislation about racial discrimination is enacted to require a similar undertaking to comply with its provisions as a standard condition of Government contracts. The Government has considered whether its duty to take an active role to eliminate discrimination requires something additional. It would be an unacceptable burden to require all contractors to supply as a matter of form full particulars of their employment policies; but the Government cannot passively assume that a formal condition in a contract is all that is required. It is therefore intended that it should be a standard condition of Government contracts that the contractor will provide on request to the Department of Employment such information about its employment policies and practices as the Department may reasonably require.

21. It is apparent that good race relations require a coherent and co-ordinated policy over a large field involving many Government Departments, local authorities, the existing and future statutory bodies concerned with the subject and, indeed, many individuals in positions of responsibility or influence. In order to bring all these activities together more effectively the Government proposes to set up a Standing Advisory Council under the chairmanship of the Home Secretary to advise him on all aspects of the development and implementation of race relations policies. Membership would include Ministers of the other Government Departments concerned, the chairman of the Community Relations Commission and the Race Relations Board (and subsequently the chairman of the proposed Race Relations Commission—see paragraph 49 below). The local authority associations, the Confederation of British Industry and the Trades Union Congress will be invited to take part, as will members of the minority communities.

22. The Government has decided that the first priority in fashioning a coherent and long-term strategy to deal with the interlocking problems of immigration, cultural differences, racial disadvantage and discrimination is to give more substantial effect to what it has already undertaken to do: to strengthen the law already on the statute book. This involves an examination of the institutions already in existence to consider what changes may be necessary to enable them to operate with greater effectiveness.

23. Legislation is the essential pre-condition for an effective policy to combat the problems experienced by the coloured minority groups and to promote equality of opportunity and treatment. It is a necessary pre-condition for dealing with explicit discriminatory actions or accumulated disadvantages. Where unfair discrimination is involved, the necessity of a legal remedy is
now generally accepted. To fail to provide a remedy against an injustice strikes at the rule of law. To abandon a whole group of people in society without legal redress against unfair discrimination is to leave them with no option but to find their own redress. It is no longer necessary to recite the immense damage, material as well as moral, which ensues when a minority loses faith in the capacity of social institutions to be impartial and fair.

24. The relevance of legislation to the less clear-cut, more complex situations of accumulated disadvantages and of the effects of past discrimination may be less direct but is nonetheless real. It is a characteristic of areas of deprivation that such resources as are available are unequally distributed. Merely to increase the scale of resources has, by itself, no effect on the unequal, and frequently inequitable, allocation of the increased resources. Indeed, such a policy may, by increasing the differentials, exacerbate the very problems it was intended to solve. An effective strategy to deal with the problems of deprivation and disadvantage must of necessity, therefore, attend both to the scale of resources required and to the equitable allocation of the increased resources. Racial disadvantage most often occurs in contexts of generalised disadvantage and cannot be realistically dealt with unless there are mechanisms for correcting the maldistribution of resources.

25. Legislation is capable of dealing not only with discriminatory acts but with patterns of discrimination, particularly with patterns which, because of the effects of past discrimination, may not any longer involve explicit acts of discrimination. Legislation, however, is not, and can never be, a sufficient condition for effective progress towards equality of opportunity. A wide range of administrative and voluntary measures are needed to give practical effect to the objectives of the law. But the legislative framework must be right. It must be comprehensive in its scope, and its enforcement provisions must not only be capable of providing redress for the victim of individual injustice but also of detecting and eliminating unfair discriminatory practices. The Government’s first priority in the field of race relations must be to provide such a legislative framework. What is more, it is uniquely a responsibility which only the Government can discharge. At the same time Government fully recognises that this is only a part of the subject; that the policies and attitudes of central and local government are of critical importance in themselves and in their potential influence on the country as a whole.

26. The Government recognises that what is here proposed for a further attack on discrimination will need to be supplemented by a more comprehensive strategy for dealing with the related and at least equally important problem of disadvantage. Such a strategy has major public expenditure implications, including a reassessment of priorities within existing programmes. It cannot be settled in advance of the outcome of the current major public expenditure review. The Government does not, however, consider this an argument for deferring the preparation of longer-term policies or for delaying the publication and implementation of its anti-discrimination proposals.

27. The following sections of this White Paper describe the existing race relations legislation and the Government’s proposals to make its scope more comprehensive and its enforcement more effective.
EXISTING LEGISLATION

28. The Race Relations Act 1965 made it unlawful to discriminate on racial grounds in specified places of public resort. It also contained provisions dealing with racial restrictions on the transfer of tenancies and penalising incitement to racial hatred. The 1965 Act created a Race Relations Board and a network of local conciliation committees which were to investigate complaints and attempt, where appropriate, to settle any difference between the parties and obtain a satisfactory assurance against any further unlawful discrimination. Where this process of conciliation was unsuccessful, the Attorney General (or, in Scotland, the Lord Advocate) had the sole right to determine whether to bring civil proceedings.

29. The Race Relations Act 1968 repealed and replaced the provisions of the 1965 Act dealing with discrimination in places of public resort. It extended the scope of the law so that it now applies to a wide range of situations in employment, housing, the provision of goods, facilities and services to the public, and the publication or display of discriminatory advertisements or notices. The 1968 Act also reconstituted the Race Relations Board, increasing both its membership and its functions. The Board and its nine regional conciliation committees have a duty to investigate all complaints of unlawful discrimination, except for (a) employment complaints, which must be dealt with, where appropriate, by suitable industrial machinery approved by the Secretary of State for Employment, and (b) complaints about dismissals on racial grounds, which are dealt with by industrial tribunals in the same way as unfair dismissals generally. The Board is also able to investigate a matter where it has reason to suspect that a person has been unlawfully discriminated against even though it has not received a complaint. Where the Board or a conciliation committee forms an opinion of unlawful discrimination, it attempts to secure a settlement and/or an appropriate assurance, as the case may be. Where the process of conciliation fails, the Board has the exclusive right to bring legal proceedings in which it may claim a declaration, damages on behalf of the victim of unlawful discrimination, and an injunction restraining any further unlawful conduct.

30. The 1968 Act also created the Community Relations Commission to complement the work of the Race Relations Board. The Commission's task is to promote "harmonious community relations", to co-ordinate national action to this end, and to advise the Home Secretary on any relevant matters. Its headquarters organisation includes administrative, information and specialist staff, and a "reference division" to inquire into matters referred to the Commission by the Home Secretary or which the Commission considers should be brought to his attention. The salaries of local community relations officers are paid by the Commission. The 85 local voluntary community relations councils, to which individual community relations officers are responsible, work more or less independently of the Commission. However, apart from financial support from the centre, the Commission offers a service of co-ordination of activities, and access to advice and information, through its Regional Development Officers. The Commission has limited funds to support locally based voluntary community projects. Its training section arranges a training programme for community relations officers and voluntary members of community relations councils.
31. It is not possible to provide a quantifiable measure of the practical impact of the 1968 Act. Generally, the law has had an important declaratory effect and has given support to those who do not wish to discriminate but who would otherwise feel compelled to do so by social pressure. It has also made crude, overt forms of racial discrimination much less common. Discriminatory advertisements and notices have virtually disappeared both from the press and from public advertisement boards. Discriminatory conditions have largely disappeared from the rules governing insurance and other financial matters, and they are being removed from tenancy agreements. It is less common for an employer to refuse to accept any coloured workers and there has been some movement of coloured workers into more desirable jobs.

32. The two statutory bodies—the Race Relations Board and the Community Relations Commission—have been valuable sources of information, advice and constructive criticism. The Board has sought to achieve the aims of the legislation not only by investigating individual cases involving alleged violations of the law but also by preventive work of an educational and advisory kind. The Commission has maintained direct liaison with the local community relations councils and with other voluntary groups and immigrant organisations throughout the country. It has attempted to identify the needs of racial minority groups and to propose how they should be met; to press the Government and other institutions to meet these needs; and to develop techniques for assessing the development of community relations.

33. The effort has been considerable and the achievements have been real. And yet, at the end of the decade, both statutory bodies have forcefully drawn attention to the inability of the legislation to deal with widespread patterns of discrimination, especially in employment and housing, a lack of confidence among minority groups in the effectiveness of the law, and a lack of credibility in the efficacy of the work of the Race Relations Board and the Community Relations Commission themselves. The continuing unequal status of Britain's racial minorities and the extent of the disadvantage from which they suffer provide ample evidence of the inadequacy of existing policies.

34. Within the limits of what can be accomplished by legislation the Board and the Commission have been hampered in their work by weaknesses which have become apparent over recent years in the legal framework within which they have had to operate.

35. One important weakness in the existing legislation is the narrowness of the definition of unlawful discrimination upon which it is based: the less favourable treatment of one person than of another on the ground of colour, race or ethnic or national origins. What matters under this definition is the reason or reasons for the discrimination. An unlawful motive may be inferred from the fact that a black person is treated less favourably than a white person; but, in the absence of a discriminatory motive, the present law does not cover practices and procedures which have a discriminatory effect upon members of a racial minority and which are not justifiable. While it is right that motive should be relevant in determining whether an alleged discriminator should compensate his victim, it is insufficient for the law to deal only with overt discrimination. It should also prohibit practices which are fair in a formal sense but discriminatory in their operation and effect. For example, employers and trade unions should be required to dismantle unjustifiable barriers to employment oppor-
tunities when the barriers operate to discriminate against racial minorities. Such barriers are against the public interest irrespective of motive and whether or not they operate against an identifiable individual victim.

36. The 1968 Act gives undue emphasis both to motive and to the identification of individual victims. Its enforcement depends excessively upon the making and processing of individual complaints. As the Race Relations Board has observed, complaints are random in their incidence and significance. Most victims do not complain. Many do not know that they have suffered discrimination. Others are reluctant to complain because they do not want to relive the humiliation which they have suffered, or because they have no confidence in the effectiveness of the complaints procedure and the redress which it is likely to provide for them. Some complaints are trivial; others are misconceived. Although it is necessary for the law to provide effective remedies for the individual victim, it is also essential that the application of the law should not depend upon the making of an individual complaint.

37. The role of the Race Relations Board has been circumscribed by the narrowness of the definition of unlawful discrimination and by the complaints-based system of enforcement embodied in the 1968 Act. It has been hampered by its obligation to investigate every complaint, and by its dependence upon receiving significant complaints, in pursuing the crucial strategic role of identifying and dealing with discriminatory practices and encouraging positive action to secure equal opportunity.

38. The strategic role of the Race Relations Board has also been restricted by the inadequacy of its powers to investigate and to deal with suspected discriminatory practices. It is unable to compel the attendance of witnesses, or the production of documents or other information for the purposes of an investigation. In the absence of such a power, the Board has to rely upon information provided by an individual complainant or other witnesses and the voluntary co-operation of those against whom complaints have been made. Moreover, where the Board forms an opinion of unlawful discrimination, its scope for action is confined to attempting to secure a settlement or satisfactory written assurance, through the process of conciliation, and, where conciliation fails, to bringing legal proceedings. It has no power to require unlawful discrimination to be brought to an end, and the discriminator has no obligation to satisfy the Board that he has altered his conduct so as to comply with the law. In these circumstances the Board may be placed in the invidious position of having to choose between accepting an inadequate settlement or an ambiguous assurance or trying to uncover further evidence in legal proceedings. To do the former would be to damage its credibility with both parties; to do the latter would be to risk criticism for abuse of legal process. In neither case is the Board well placed effectively to change a discriminatory practice or to encourage positive action to secure equal opportunity.

39. The individual complainant enjoys some definite advantages under the present system. He is entitled to have his complaint investigated by conciliation officers and committees possessing special skills and experience. In forming an opinion as to whether there has been unlawful discrimination, the Race Relations Board or conciliation committees do not require adherence to formal rules of evidence or procedure. They may form an opinion favourable to the
complainant on the basis of less weighty evidence than would be needed to establish a prima facie case in legal proceedings. Unless conciliation fails and the Board brings legal proceedings, the matter is dealt with without the possible embarrassment of publicity.

40. However, the requirement that all complaints should be investigated in this way may create resentment and hostility among those it is designed to assist. The process may seem cumbersome and protracted. The complainant may feel aggrieved at being denied the right to seek legal redress while his complaint is being processed. If his complaint is not upheld, he is likely to resent the fact that he is denied direct access to legal remedies. Even if it is upheld, he may feel aggrieved because, in his view, the Board or conciliation committee has accepted a settlement or assurance which he regards as inadequate; or, worse still, because after conciliation has failed, the Board has decided not to bring legal proceedings, whether because it considered that it had insufficient prospects of proving the case in court or for some other reason.

41. Thus the requirement that all complaints should be investigated by the Race Relations Board or its conciliation committees and that the alleged victim of racial discrimination (unlike the victims of almost all civil wrongs) should be denied direct access to legal remedies suffers from a double disadvantage. It distracts the statutory agency from playing its crucial strategic role whilst leaving many complainants dissatisfied with what has been done on their behalf by means of procedures which may seem cumbersome, ineffective or unduly paternalistic.

42. Financial compensation is rarely an adequate remedy for the victim of the worst examples of racial discrimination, because money cannot compensate him for the indignity, humiliation and distress which he suffers from being treated as inferior on racial grounds. Nevertheless, the award of compensation ought to be able to take into account any injury to feelings as it does for other civil wrongs. The damages which can be awarded under the 1968 Act are confined to special damages and damages for loss of opportunity. The sums awarded have been very small and are reflected in the sums obtained as settlements by the Board and the conciliation committees: in 1974, the amounts ranged from £2 to £150, the median settlement being £23.50.

43. The courts’ powers to grant injunctions are also artificially and unnecessarily restricted under the 1968 Act. The Board must prove not only that the defendant has acted unlawfully and that he is likely, unless restrained, to do so again; it must also prove that he has previously engaged in conduct of the same kind or a similar kind. So, if an employer were to refuse, for example, to give a job to someone on racial grounds and made clear that he intended to continue to discriminate unlawfully with respect of any future vacancies, the Board would be unable to obtain an injunction unless it could establish that he had discriminated unlawfully twice in the past—once in respect of the act complained of in the proceedings and once previously. This restriction upon the courts’ normal power to grant injunctions is not justifiable.

44. Apart from these weaknesses in the enforcement provisions of the 1968 Act, there are loopholes and anomalies in the provisions defining the scope of the legislation which will be described later in this White Paper.
45. Finally, there are deficiencies in the terms of reference of the two statutory bodies created by the 1968 Act. Reference has already been made to the excessive concentration of the Race Relations Board’s work upon the investigation and conciliation of individual complaints. The broader strategic role and the powers necessary for the performance of such a role are absent from the present legislation. The Board does preventive work of an educational and advisory nature so as to promote racial equality generally. But to some extent there is duplication between this work and some of the activities of the Community Relations Commission.

46. Unlike the Race Relations Board which has fairly precise functions the Community Relations Commission labours under the disadvantage that it has largely had to provide its own terms of reference. It has therefore been handicapped by an uncertainty of aim since its inception and by the overlap between its work and that of the Board.

47. Thanks to the dedicated service of the members and staff of both bodies, they have made an important contribution towards better community and race relations in spite of major structural weaknesses in the legislation. However, the Government accepts the views of the Race Relations Board and the Community Relations Commission that the existing legislation is in urgent need of reform. It has therefore decided to repeal the Race Relations Acts 1965 and 1968 and to replace them with a comprehensive measure.

A NEW STATUTE

48. In its White Paper, “Equality for Women” (Cmnd. 5724), the Government indicated that, in preparing proposals for sex discrimination legislation, it had attempted to avoid a number of weaknesses which experience had revealed in the enforcement provisions of the race relations legislation. The White Paper also stated that it was the Government’s ultimate aim “to harmonise the powers and procedures for dealing with sex and race discrimination so as to secure genuine equality of opportunity in both fields.” The new legislation will be designed to fulfil that aim.

49. The Government proposes to replace the Race Relations Board and the Community Relations Commission by a new public body, which for the purposes of this White Paper will be referred to as the Race Relations Commission, although the Government has noted the recommendation of the Select Committee that it should be called the “Equal Rights Commission”. The Commission will have similar functions and powers to those conferred upon the Equal Opportunities Commission by the Sex Discrimination Bill.

50. Except for good reason, the two statutes and the procedures for their administration and enforcement will be framed in similar terms. It is hoped in this way to ensure wider public understanding of the meaning and effect of the legislation in both fields. As recommended by the Select Committee, the Race Relations Commission and the Equal Opportunities Commission will be encouraged to co-operate closely and to exchange relevant information and experience so as to strengthen their respective roles. The principal functions of the Race Relations Commission will be to work towards the elimination of
racial discrimination and the promotion of racial equality. It will have a major strategic role in enforcing the law in the public interest. Although it will be able to assist and represent individuals in appropriate cases the Commission's main task will be wider policy: to identify and deal with discriminatory practices by industries, firms or institutions. It will be empowered to issue non-discrimination notices (see paragraph 112) and to bring legal proceedings against those who persistently violate the law. It will also be able to conduct general inquiries and research, to advise Government, and to take action to educate and persuade public opinion. The Commission will have adequate powers to require the production of relevant information. It will be able not only to investigate suspected unlawful conduct but also to keep under review wider policies and practices in the public and private sectors, having particular regard to their implications for and effect upon racial minorities.

51. The Commission will thus have greater powers and wider responsibilities than either the Race Relations Board or the Community Relations Commission, which it will replace. However, some of the functions now performed by those bodies will not be undertaken by the Commission. It will not have the Race Relations Board's present obligation to investigate every individual complaint and to attempt to obtain settlements and assurances by means of conciliation: nor will it have the Board's exclusive right to bring legal proceedings, because there will be a right of individual access to legal redress in the industrial tribunals and county courts. For the reasons set out in paragraphs 40 and 41 above, the Government considers that the disadvantages of the present system outweigh any advantages to the individual complainant. Moreover, it has been unable to accept the suggestion in the Race Relations Board's most recent annual report that these disadvantages might be mitigated within the existing framework by giving "subpoena" powers to the Board for the purpose of investigating individual complaints. The Commission's powers (like those of the Equal Opportunities Commission under the Sex Discrimination Bill) must necessarily be confined to investigations conducted in the public interest rather than in the interests of a potential plaintiff. When it acts on behalf of an alleged victim, the enforcement body cannot have any greater legal powers than are enjoyed by the individual himself. The Government has therefore decided that the complainant's interests will be better served by allowing him direct access to legal redress, helped by the special procedure described in paragraph 85 below for questioning the respondent about the reasons for his conduct, and able, where the Commission thinks fit, to obtain the wide range of assistance described in paragraph 87 below. The Government has taken note of the Select Committee's recommendation that Complaints Boards should be appointed by the Commission to assist its regional staff in dealing with enforcement matters.

52. The Government has received a number of recommendations as to whether the new Race Relations Commission should be, as the Community Relations Commission now is, the source of financial support, training and co-ordination for local community relations work. These recommendations have come from the Select Committee, the Race Relations Board, the Community Relations Commission and from various non-statutory and voluntary organisations. They show a wide divergence of opinion. The Government is convinced of the need to ensure that any new arrangement does nothing to hinder the valuable work being done by the community relations councils and their officers at the local level; indeed it would like to propose arrangements
which would enable the local work not only to continue but to gain in its effective-
ness. However, in view of the very wide differences of opinion on how this
generally agreed end can best be attained, the Government is undertaking full
consultation with those concerned before reaching a view on what the formal
relationship between the new central statutory authority and local community
relations effort should be.

53. The remainder of this part of the White Paper describes in greater detail
the Government’s proposals both as regards the scope and enforcement of the
new Race Relations Act.

THE SCOPE OF THE LEGISLATION

Definition of Unlawful Discrimination

54. For the purposes of the Race Relations Act 1968 a person discriminates
unlawfully against another if “on the ground of colour, race or ethnic or
national origins” he treats that other, in any relevant situation, less favourably
than he treats or would treat other persons. For the avoidance of doubt the
1968 Act specifically provides that racial segregation constitutes unlawful
discrimination.

55. The new Bill will contain a similar definition. In addition, for the reasons
given in paragraph 35 above, it will be unlawful to apply a requirement or
condition which (irrespective of motive) is such that the proportion of persons
of a particular colour, race or ethnic or national origins able to comply with it is
considerably smaller than the proportion of other persons able to do so, and
which is not justifiable on non-racial grounds. This will, for example, cover the
situation where an employer requires applicants to pass an educational test
before obtaining employment if (a) the test operates to disqualify coloured
applicants at a substantially higher rate than white applicants and (b) it cannot
be shown to be significantly related to job performance. The employer will be
required to stop using such a test. However, he will not be liable to compensate
a victim if he can show that the requirement or condition in question was not
applied with the intention of treating the claimant unfavourably on racial grounds.
The provision will similarly apply to requirements concerning the clothing worn
by employees (e.g. preventing the wearing of turbans or saris) or their minimum
height, where such requirements cannot be shown to be justifiable. It will also
be unlawful to apply a requirement or condition which results or would be
likely to result in an act of discrimination as defined above, irrespective of
whether the requirement or condition is actually applied to a particular victim.
In such a case, however, proceedings will be brought only by the Race Relations
Commission. This will, for example, cover the situation where an employer
operates recruiting arrangements which result in there being no coloured
applicants for job vacancies and thus no act of discrimination against any
individual victim. In such a case the Commission will be empowered to issue a
non-discrimination notice requiring the employer to cease operating the
arrangements, and, in the event of persistent discrimination, to apply for an
injunction restraining him from operating them.

56. In Ealing London Borough Council v. Race Relations Board (1972)
AC 342, the House of Lords decided that the word “national” in the reference
to “national origins” in section 1(1) of the 1968 Act means national in the sense
of race and not nationality or citizenship. Accordingly, the local housing
authority had not acted unlawfully on the ground of national origins in adopting a rule that the waiting list for housing accommodation should be restricted to those who were British subjects within the meaning of the British Nationality Act 1948. The resulting gap in the legislation has created some anomalies and difficulties. For example, it is not unlawful to discriminate against someone because he is an Indian national but it is unlawful to discriminate against him because he is of Indian national origins (i.e. of Indian descent). It is contrary to the Treaty of Rome to discriminate against an EEC worker or his family on the basis of nationality. It is unclear to what extent the courts would regard a person’s place of birth as constituting his national origins. Moreover, the distinction between nationality and national origins creates an obvious pretext for discriminating on racial grounds. The Government has decided to widen the definition of unlawful discrimination on the ground of national origins to include nationality and citizenship. There will be appropriate exceptions where a person’s nationality or citizenship is a justifiable ground for consideration. In this way, the obligations of the Treaty of Rome in relation to EEC workers and their families will be expressly incorporated into the law of Great Britain and will be extended for the benefit of all aliens and Commonwealth citizens in this country.

57. It follows from the principle of non-discrimination that it will remain unlawful to practice “reverse discrimination”; that is, to discriminate in favour of a racial minority. However, if the principle of non-discrimination is interpreted too literally and inflexibly it may actually impede the elimination of invidious discrimination and the encouragement of equal opportunity. Unless the legislation makes appropriate provision, it would, for example, be unlawful to provide special training courses for qualified coloured immigrant workers designed to enable them to compete on genuinely equal terms with others for work from which they have hitherto been excluded. It would also be unlawful for an employer to seek actively to encourage qualified coloured immigrants to apply for employment which, for whatever reason, they have not previously sought. The Government considers that it would be wrong to adhere so blindly to the principle of formal legal equality as to ignore the handicaps preventing many black and brown workers from obtaining equal employment opportunities. Accordingly, the Bill will contain provisions allowing (but not requiring) employers and training organisations to provide special training facilities to members of such groups and to encourage them to take advantage of opportunities for doing particular work. There will be similar exemptions allowing the provision of special training facilities and encouragement by trade unions, employers’ associations, and professional and trade organisations. The Bill will also allow the provision of facilities and services to meet the special needs of particular ethnic or national groups (for example, in relation to education, instruction, training and health and social services), or for the fulfilment of training and trade obligations to overseas countries, and permit discrimination in the employment, where necessary for these purposes, of persons of a particular ethnic or national group.

General Scope

58. Like the 1968 Act, the new legislation will apply to employment, training and related fields, education, housing and the provision to the public of goods, facilities and services. The publication of discriminatory advertisements relating
to activities in these fields will also remain unlawful. However, many of the relevant provisions will be redefined so as to remove loopholes and anomalies and, where appropriate, to harmonise them with comparable provisions in the sex discrimination legislation. The Bill will bind the Crown in respect of all situations covered by the legislation. It will contain a provision similar to that in the Sex Discrimination Bill which will place on Ministers of the Crown and Government Departments a statutory duty not to discriminate in relation to appointments to public offices.

Exceptions

59. The Bill will include provisions to ensure that it does not apply to personal and intimate relationships. However, the exceptions may need to be modified in the light of experience in operating the legislation. There will therefore be a power enabling the Government, after seeking the advice of the Race Relations Commission, to narrow, widen or repeal the exceptions by statutory instrument requiring an affirmative resolution in both Houses of Parliament.

Employment and Related Matters

60. Section 3 of the 1968 Act deals with discrimination by an employer or any person concerned with the employment of others. It will be redefined in the Bill so as to make it clear that it includes the arrangements which an employer makes for the purposes of determining who should be offered employment. The Bill will also remove another ambiguity by defining employment to include employment under a contract personally to execute any work or labour, and it will cover discrimination against contract workers. Employment agencies and vocational training bodies are covered in the 1968 Act only as part of the prohibition of discrimination by the providers to the public of facilities or services and by persons concerned with the employment of others. The Bill will contain specific provisions covering employment agencies, vocational training bodies, and the three bodies which provide facilities or services under the Employment and Training Act 1973 (i.e., the Manpower Services Commission, the Employment Service Agency, and the Training Services Agency). There will be a similar provision to section 4 of the 1968 Act applying to discrimination in relation to the benefits and facilities provided by employers’ associations, trade unions and professional and trade organisations. The Bill will contain a new provision making it unlawful for a partnership of six or more partners to discriminate in the selection of other partners or the treatment of existing partners. The Bill will also make it unlawful for a body (including a licensing body) to discriminate in conferring any authorisation or qualification which, in law or practice, is required by a person who engages in a particular trade or profession. Where the body is required by law to take account of a person’s character, it will be obliged to have regard to any evidence tending to show that he, or any of his employees or agents has practised unlawful discrimination in the carrying on of any profession or trade.

Employment Exceptions

61. The Bill will modify the existing employment exceptions in certain respects.

62. Under the “racial balance” exception to the 1968 Act an employer may discriminate in selecting persons for employment if he does so in good faith
for the purpose of securing or preserving a reasonable balance of persons of different racial groups employed in the undertaking or part of it. The problem with which this exception was designed to deal is that some jobs may become identified with a particular ethnic group, and may then attract a disproportionate number of applicants from that group, especially when they are immigrants with their own particular language and customs. Such a situation may impair good race relations as well as good industrial relations. It may also impede the employment prospects of the workers concerned, since they gain no experience of working in an unsegregated industrial situation and so are handicapped in seeking promotion or moving to better jobs elsewhere. As the Race Relations Board has observed: “for a time segregation may represent a form of accommodation acceptable to all, but if it hardens into patterns, tensions and conflicts will occur when pressures to change the pattern arise.” The extent to which employers rely upon their own interpretation of the racial balance exception is unknown. However, it has rarely been invoked in the course of investigations by the Board and there is little evidence that its original purpose is being achieved. It may be the source of misunderstanding and abuse, preserving rather than discouraging segregated work units. The Government therefore accepts the Board’s recommendation that since the exception provides a legal justification for discrimination and thereby detracts from the Act as a code of conduct without, in practice, appearing to provide any tangible compensating advantages, it should be repealed. The right approach to the problem will be by securing genuine equality of opportunity and treatment, regardless of colour, race or ethnic or national origins, throughout all sectors of industry, and by providing facilities to meet the special training needs of workers of particular ethnic or national origins. The Bill will allow the provision of facilities and services to meet such special needs.

63. The exception in section 8(11) of the 1968 Act for the selection of a person of a particular nationality or descent for employment requiring attributes especially possessed by persons of that nationality or descent will be replaced by a narrower exception applying to the selection of a person for a job where the essential nature of the job calls for a person of a particular colour, race or ethnic or national origins for reasons of authenticity (e.g., acting, or being a waiter in a Chinese restaurant with a distinctive Chinese decor) or, exceptionally, to enable the special needs of a particular ethnic or national group to be met or a training or trade commitment to an overseas country to be fulfilled. A new exception will be made to the advertising provision (paragraph 76 below), permitting the publication of an advertisement indicating that a person of a particular colour, race or ethnic or national origins is required for such a job.

64. The 1968 Act contains six separate exceptions allowing discrimination in employment on ships or aircraft. The Government considers that these exceptions could be inconsistent with the general principle of non-discrimination and is therefore engaged in consultations with both sides of the industry in an endeavour to resolve any problems.

Education

65. There is no separate education provision in the 1968 Act. Facilities for education, instruction or training are merely listed in section 2(2) as one example of facilities and services provided to the public or a section of the public.
66. The Bill will contain separate provisions making it unlawful for educational establishments to discriminate, or for an education authority, in carrying out its functions under the Education Acts, to do any act which constitutes unlawful discrimination, and imposing a general duty upon bodies in the public sector of education to secure that their facilities are provided without racial discrimination. The Bill will also allow the provision of education to meet the special needs of individual pupils or groups of pupils of whatever ethnic or national origins.

67. The general duty in the public sector will be enforceable in the first instance by the Education Ministers in those areas in which they have the necessary powers under the Education Acts. The special procedures for the enforcement of the education provisions of the Bill are described in paragraph 103 below.

Housing Accommodation, etc.

68. Section 5 of the 1968 Act makes it unlawful to discriminate in the disposal or management of housing accommodation, business premises or other land; and section 7 contains exceptions for the disposal of residential accommodation (a) by a landlord living in small premises and sharing relevant accommodation with persons who are not members of his household, or (b) by an owner-occupier who does not use the services of an estate agent or advertise. These provisions will be retained in the Bill, but they will be brought into line with the equivalent provisions of the Sex Discrimination Bill so as to avoid possible differences of judicial interpretation of the two statutes where they are intended to cover identical ground.

69. Section 5 of the Race Relations Act 1965 (which was not repealed by the 1968 Act) relates to racially discriminatory restrictions on the transfer of tenancies. The provision is anomalous in the light of the housing provisions of the 1968 Act and of the Bill; it will therefore be repealed. Under the Bill such restrictions will be void by virtue of the provision dealing with discriminatory terms in contracts (paragraph 78). The Bill will contain a specific provision making it unlawful for a landlord to discriminate against the prospective assignee or sublessee of a tenancy by withholding consent to the assignment or subletting.

Goods, Facilities and Services

70. Section 2 of the 1968 Act makes it unlawful for any person concerned with the provision to the public or a section of the public of goods, facilities or services to discriminate against anyone seeking to obtain or use them. This provision will be retained in the Bill, which will make clear that it includes indirect access to benefits, facilities or services. The Bill will allow the provision of facilities and services to meet the special needs of persons of particular ethnic or national origins.

71. Section 7(6) of the 1968 Act provides that it is not unlawful by virtue of section 2 to discriminate against any person in respect of the provision of sleeping cabins for passengers on a ship if compliance with that section would result in persons of different colour, race or ethnic or national origins being compelled to share a cabin. This exception is incompatible with the principle of non-discrimination. With the concurrence of the industry as a whole it will be repealed.
Social clubs and other voluntary bodies

72. The House of Lords has decided, in two cases involving alleged racial discrimination by social clubs, that the words “section of the public” in section 2 of the 1968 Act do not apply to members or associate members of such clubs. Some 4,000 working men’s clubs, with a total membership of about 3½ million people, are affiliated to the Club and Institute Union and are not covered by the 1968 Act. In some towns they have replaced public houses as the main providers of facilities for entertainment, recreation and refreshment. In addition, thousands of golf, squash, tennis and other sporting clubs registered as members’ clubs are, almost certainly, also outside the 1968 Act, except in so far as they may offer only limited playing facilities to the public generally. Many clubs do not discriminate on racial grounds but at present they may lawfully do so. The Government considers that it is right that all clubs should be allowed to apply a test of personal acceptability to candidates for membership, but it considers that it is against the public interest that they should be entitled to do this on racial grounds. The Government believes that the relationship between members of clubs is no more personal and intimate than is the relationship between people in many situations which are rightly covered by the 1968 Act; for example, the members of a small firm or trade union branch, children at school, or tenants in multi-occupied housing accommodation. In principle it is justifiable to apply the legislation in all these situations because of the inherently unjust and degrading nature of racial discrimination and its potentially grave social consequences. In practice the objectives of the legislation will be seriously undermined if its protection does not extend beyond the workplace and the market-place to enable workers and other members of the public to obtain entertainment, recreation and refreshment together on the basis of equality, irrespective of colour or race.

73. The Bill will therefore make it unlawful for a club or other voluntary body to discriminate as regards the admission of members or the treatment accorded to members. Subject to this the Bill will not, of course, affect the right of such a body to withhold membership or facilities from someone who does not qualify for them in accordance with its rules. Small voluntary bodies will be exempted from this provision so as to avoid interference with the kind of regular social gathering which is genuinely private and domestic in character. In addition, there will be an exception to enable bona fide social, welfare, political and sporting organisations whose main object is to confer benefits on a particular ethnic or national group to continue to do so.

Instructions to Discriminate

74. The Bill will make it unlawful for a person who has authority over another person, or in accordance with whose wishes that other person is accustomed to act, to instruct him to do any act which is unlawful by virtue of any of the provisions described above, or to procure or attempt to procure the doing of any such act. The special procedure for the enforcement of this provision by the Race Relations Commission is described below in paragraph 105.

Victimisation

75. The Bill will make it unlawful to victimise a person by treating him less
favourably than other persons whether because he has brought proceedings or
given evidence or information in connection with proceedings brought under
the Bill, or done anything else under or by reference to the Bill in relation to the
discriminator or to anyone else.

Discriminatory Advertisements

76. Section 6 of the 1968 Act makes it unlawful to publish or display, or to
cause to be published or displayed, any advertisement or notice which indicates
or could be understood as indicating an intention to do an act of discrimination,
whether or not the intended act would be unlawful by virtue of any other
provision of the Act. For example, it is unlawful to publish an advertisement
stating “flats to let—no coloureds”, whether or not the particular premises are
within the scope of the 1968 Act. This is justifiable because the public display
of racial prejudices and preferences is inherently offensive and likely to encourage
the spread of discriminatory attitudes and practices. In one respect, however,
Section 6 is too wide. Where the essential nature of a job calls for a person of a
particular colour, race or ethnic or national origins for reasons of authenticity
the employer will be entitled to select such a person by virtue of the exception
referred to in paragraph 63 above. In such a situation it is obviously right that
he should be able to indicate his preference when advertising the job vacancy,
and the Bill will enable him to do so. On the other hand, in one respect section
6 is too restrictive. By virtue of section 6(2) it is not unlawful to publish an
advertisement which indicates that Commonwealth citizens or any class of
such citizens are required for employment outside Great Britain. As a result,
foreign or British employers could at present advertise in this country for white
citizens of the United Kingdom and Colonies or for white Commonwealth
citizens. Although the Bill will not apply to employment overseas it will ensure
that no racially discriminatory advertisements may lawfully be published in
Great Britain. The special procedure for the enforcement of the advertising
provision by the Race Relations Commission is described below in paragraph
104.

Pressure to Discriminate Unlawfully, etc.

77. Section 12 of the 1968 Act provides that any person who deliberately
aids, induces or incites another person to do an unlawful act shall be treated
as doing that act. The Bill will redefine this provision so as to bring it into line
with the provisions of the Sex Discrimination Bill dealing with pressure to
discriminate unlawfully and the aiding of unlawful acts. The special procedure
for the enforcement by the Race Relations Commission of the provision
covering pressure to discriminate unlawfully is described below in paragraph
105.

Contractual Terms

78. Section 23 of the 1968 Act provides that a contract or a term in a contract
which contravenes the Act shall not be unenforceable by reason only of the
contravention, but may in certain circumstances be revised by the courts. The
Bill will replace section 23 by provisions similar to those contained in the Sex
Discrimination Bill dealing with the validity and revision of discriminatory
contractual terms.
Charities

79. Section 9 of the 1968 Act exempts from the Act a provision in a future charitable instrument which confers benefits on persons of a particular race, descent or ethnic or national origins (but not colour) or anything done in order to comply with such a provision or with the provisions of any existing charitable instrument. The Bill will contain a similar exception, but it will also make clear that any provision in an existing or future charitable instrument which confers benefits on persons of a particular colour is void and that it is unlawful to do any act in Great Britain in order to give effect to such a provision. It will authorise the trustees of such a charity to apply its benefits irrespective of the colour of the beneficiaries.

Northern Ireland

80. Like the Race Relations Acts 1965 and 1968, the Bill will not apply to Northern Ireland.

THE ENFORCEMENT OF THE LEGISLATION

81. It is to be hoped that most institutions and individuals will respond to the Government's positive lead in promoting equality of opportunity and will change their practices voluntarily. However, it is essential in those cases where this does not occur that the law should be capable of providing adequate redress for the victim of racial discrimination as well as eliminating discriminatory practices which are against the public interest. As explained in paragraphs 49-51 above, the Government proposes to adopt the new and radical approach reflected in the enforcement provisions of the Sex Discrimination Bill. It will combine the right of individual access to legal remedies with the strategic functions of a powerful Race Relations Commission responsible for enforcing the law on behalf of the community as a whole.

Individual Remedies

Employment and related matters

82. It is proposed to use the same machinery and procedures for complaints of racial discrimination in employment and related matters as is used for complaints arising under the Sex Discrimination Bill and in respect of unfair dismissals (including dismissals on allegedly racial grounds), since the two kinds of complaint are closely related. Complaints of racial discrimination will, therefore, be dealt with by the industrial tribunals in the situations described above, in paragraph 60, i.e. those involving:—

(a) employment and training;
(b) employment agencies;
(c) training organisations;
(d) employers' associations, trade unions and professional and trade organisations; and
(e) partnerships.

The industrial tribunals will also consider complaints involving instructions to discriminate, victimisation, the publication of discriminatory advertisements, pressure to discriminate, and the aiding of unlawful acts, in any of the above
situations. However, complaints relating to instructions to discriminate, discriminatory advertising, and pressure to discriminate will be made to the Race Relations Commission rather than directly to the tribunals, and only the Commission will be entitled to bring them before the tribunals, and, where necessary, the courts, as described in paragraphs 104-105 below.

83. The industrial tribunals consist of legally qualified chairmen assisted by lay members who are appointed from among persons nominated by the Trades Union Congress and employers’ organisations. The Government will draw the attention of the nominating organisations to the desirability of including members of racial minorities among the nominees.

84. Individuals will have three months from the date when the act complained of was done in which to make their complaints to the tribunals. In the case of those matters referred to in paragraph 82 above, which may be brought before the tribunals by the Commission alone, an application will have to be made within six months from the date when the act to which it relates was done. However, the tribunal will have power to hear a complaint or application which is out of time where it considers it just and equitable to do so.

85. Help will be given to a person who considers that he may have been discriminated against unlawfully to decide whether to institute proceedings and, if he does so, to formulate and present his case in the most effective manner. Standard forms will be made available by means of which he may question the respondent on his reasons for doing any relevant act or on any other matter which may be relevant and by means of which the respondent may if he so wishes reply to such questions. The questions and replies will, subject to the normal rules relating to admissibility, be admissible as evidence in the proceedings; and if it appears to the tribunal that the respondent deliberately omitted to reply within a reasonable period or that his reply is evasive or equivocal, the tribunal will be entitled to draw any inference from that fact which it considers it just and equitable to draw, including an inference that he committed an unlawful act. In addition to helping the aggrieved person to ascertain the nature of the respondent’s case at an early stage by means of a simple, inexpensive procedure, this provision will also enable complaints which are groundless or based on misunderstandings to be resolved without recourse to legal proceedings.

86. In submitting a complaint and bringing any subsequent proceedings, the individual will be able to present his own case or, if preferred, to be represented, for example, by a trade union legal representative, a community relations officer, a minority organisation, or may seek the assistance of the Race Relations Commission. The legal advice and assistance scheme is available to enable complainants of limited means to obtain legal advice on whether proceedings should be instituted and to give legal assistance during conciliation and, if necessary, in preparation of a case for hearing.

87. The Commission will be able to grant assistance to an actual or prospective complainant if it considers that the case raises a question of principle, or that it is unreasonable having regard to the complexity of the case or the applicant’s position in relation to the respondent or another person involved or any other matter to expect him to deal with the case unaided, or by reason
situations. However, complaints relating to instructions to discriminate, discriminatory advertising, and pressure to discriminate will be made to the Race Relations Commission rather than directly to the tribunals, and only the Commission will be entitled to bring them before the tribunals, and, where necessary, the courts, as described in paragraphs 104-105 below.

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86. In submitting a complaint and bringing any subsequent proceedings, the individual will be able to present his own case or, if preferred, to be represented, for example, by a trade union legal representative, a community relations officer, a minority organisation, or may seek the assistance of the Race Relations Commission. The legal advice and assistance scheme is available to enable complainants of limited means to obtain legal advice on whether proceedings should be instituted and to give legal assistance during conciliation and, if necessary, in preparation of a case for hearing.

87. The Commission will be able to grant assistance to an actual or prospective complainant if it considers that the case raises a question of principle, or that it is unreasonable having regard to the complexity of the case or the applicant's position in relation to the respondent or another person involved or any other matter to expect him to deal with the case unaided, or by reason
of any other special consideration. The Commission's possible assistance will include:

(a) giving advice;

(b) procuring or attempting to procure the settlement of any matter in dispute;

(c) arranging for the giving of advice or assistance by a solicitor or counsel under the legal advice and assistance scheme;

(d) arranging for representation by any person.

The Commission will thus have a wide discretion as to the circumstances in and the means by which it provides advice, assistance or representation to individual complainants. In exercising its discretion the Commission will have regard to its primary strategic role as well as to the interests of individual complainants.

88. Employment complaints will initially be considered by conciliation officers, who form part of the independent Advisory Conciliation and Arbitration Service. The conciliation officers will act as an independent source of conciliation and advice to try to help the parties to reach a settlement of a complaint without its being determined by a tribunal. It will also be open to a complainant to make use of any jointly agreed grievance machinery which applies in the employment area concerned and the conciliation officers will where appropriate encourage him to do so in an appropriate case. This will replace the existing provisions for the mandatory use of voluntary industry machinery in the 1968 Act.

89. Complaints which are not settled by conciliation nor withdrawn will be heard by the tribunals. Where the complainant alleges that he has been discriminated against on racial grounds he will have to discharge the normal burden of proof applicable to civil proceedings. He will therefore have to show that the respondent has acted to his detriment in circumstances suggesting that such detrimental action has been taken on racial grounds. It will then be for the respondent to show that the complainant has not been treated less favourably than other persons on those grounds. Different considerations apply where the complainant alleges that (irrespective of motive) he has been discriminated against by reason of the application to him of a requirement or condition which is racially discriminatory in its effect (paragraph 55 above). In that event the complainant will have to show that the respondent has applied a requirement or condition to him such that the proportion of persons of the relevant colour, race or ethnic or national origins able to comply with it is considerably smaller than the proportion of other persons able to do so. It will then be for the respondent to prove that the requirement or condition is justifiable. The respondent will not be liable to compensate a victim if he can show that the requirement or condition in question was not applied with the intention of treating the claimant unfavourably on racial grounds.

90. Where the tribunal is satisfied that unlawful discrimination has occurred in a particular case, it will be able:

(a) to declare the rights of the parties; and/or

(b) to make an award of compensation; and/or
(c) to recommend that the respondent take action to obviate or reduce the adverse effect on the complainant of any act of discrimination to which the complaint relates.

The compensation which may be awarded may include compensation for injury to feelings. The amount of compensation which may be awarded to a complainant will not exceed the amount for the time being specified in paragraph 20(1)(b) of Schedule I to the Trade Union and Labour Relations Act 1974 (i.e. £5,200). However, if without reasonable justification the respondent fails to comply with a recommendation under (c) above, the tribunal will have power on further application to increase the amount of compensation paid to the complainant, or, if an award under (b) above could have been made but was not, the tribunal will have power to make such an award.

91. The decisions of the tribunals will, as at present, be recorded in the public register at the Central Offices of Industrial Tribunals. The secretaries of the tribunals will inform the Commission of all decisions.

92. An individual's direct interest in a case will normally end with the tribunal's decision on his case, or with the outcome of any appeal against the tribunal's decision. The individual will not normally have any direct interest in following up his case provided that the respondent complies with the tribunal's decision. It will, however, be essential for relevant tribunal decisions as well as the Commission's non-discrimination notices (paragraph 112 below) to be followed up so as to ensure proper compliance with the legislation in the public interest on behalf of the community as a whole. Accordingly, the Commission will, where appropriate, be able to seek injunctions or orders before specially designated county courts in England and Wales and sheriff courts in Scotland, in the manner described below in paragraphs 115–116.

93. Appeals will lie from industrial tribunals on points of law to the proposed Employment Appeal Tribunal, and thereafter to the Court of Appeal, or, in Scotland, to the Court of Session.

Other complaints

94. Industrial tribunals are not equipped to deal with complaints of discrimination outside the employment field. Such complaints will be dealt with by specially designated county courts and sheriff courts in Scotland. They will relate to the situations described above, in paragraphs 65–73, involving:

(a) education;
(b) housing accommodation, etc.; and
(c) the provision of goods, facilities and services.

There will be special procedures in relation to education, which are described below in paragraph 103.

95. The county courts and sheriff courts will also consider complaints involving instructions to discriminate, victimisation, the publication of discriminatory advertising, and the aiding of unlawful acts in any of the non-employment situations covered by the Bill. However, as in the field of employment, complaints relating to instructions to discriminate, discriminatory advertising, and pressure to discriminate will be made to the Commission
rather than directly to the courts, and only the Commission will be entitled to bring them before the courts, as described below in paragraph 104.

96. Under the 1968 Act the judge or sheriff is assisted by two assessors with special knowledge and experience of problems connected with community and race relations. These provisions enable the courts (like the industrial tribunals) to have the benefit of lay expertise and minority representation in dealing with cases under the race relations legislation. It is therefore proposed to retain these provisions in the Bill, while enabling the attendance of the assessors to be dispensed with by agreement between the parties. The assessors will be appointed from lists of persons prepared and maintained by the Home Secretary and the Secretary of State for Scotland, being persons appearing to them to have special knowledge and experience of situations covered by the Bill. The Government intends to ensure that members of racial minorities and others with relevant knowledge and experience are substantially represented in these lists. For example, those who have had experience of the work of the conciliation committees would have a valuable contribution to make.

97. Individuals will normally have six months in which to bring proceedings in the courts. In the case of those matters referred to in paragraph 82 above which may be brought before the courts only by the Commission proceedings will have to be instituted within six months from the date when the act to which they relate was done. However, the court will have power to hear a claim or application which is out of time if it considers that it is just and equitable to do so.

98. A person who considers that he may have been discriminated against unlawfully will be given help to decide whether to institute proceedings and, if he does so, to formulate and present his case in the most effective manner, by means of the procedure described above in paragraph 85. As in the employment field, the legal advice and assistance scheme is available to enable a person of limited means to obtain legal advice on whether proceedings should be instituted. In addition, legal aid will be available to enable prospective plaintiffs of limited means with reasonable prospects of success to institute proceedings in the county courts and sheriff courts. Although there will be no formal machinery for conciliation (such as will be available for complaints in the employment field) before cases come before the courts, the ordinary powers of the courts and the risks inherent in litigation should encourage the parties and their representatives to settle their differences without unnecessary resort to legal proceedings. The process of attempted settlement which the legal profession normally undertakes before advising on the commencement of legal proceedings as well as after proceedings have actually been launched will therefore be applicable to disputes arising under the Bill. Furthermore, since the Commission’s power to give assistance to an actual or prospective plaintiff described above in paragraph 87, will include the power to give advice and to procure or attempt to procure the settlement of any matter in dispute, the Commission itself will in appropriate cases be able to secure a settlement of a dispute without the necessity to resort to litigation.

99. The position as regards the burden of proof will be the same as the position in employment and related matters described above in paragraph 89 for direct discrimination and for indirect unjustifiable discrimination respectively.
100. Where the court is satisfied that unlawful discrimination has occurred in the particular case, it will be able to grant the normal remedies obtainable for a claim in tort (or, in Scotland, in reparation for breach of statutory duty). Thus, the court will be able:—

(a) to declare that the defendant has acted unlawfully; and/or
(b) to award damages (including compensation for injury to feelings); and/or
(c) to grant an injunction (or make an order) restraining the defendant from discriminating unlawfully against the plaintiff.

The court will also be able, on the application of any person interested in a contract, to make an order removing or modifying a term in such a contract made unenforceable by the Bill provisions contemplated in paragraph 78.

101. Although there are differences in the precise form of relief which may be granted by the industrial tribunals and the civil courts, the same principles will apply to the scope of relief in individual cases. The individual complainant will be entitled to seek remedies appropriate to redress the particular wrong which he has suffered by reason of an act of unlawful discrimination. He will not be entitled to seek any wider form of relief (e.g., general injunctive relief restraining persistent discrimination). The Race Relations Commission will have the exclusive right to seek such wider forms of relief in the public interest.

102. Appeals will lie from the county courts to the Court of Appeal and from the sheriff courts to the Court of Session.

Education

103. As regards those bodies over which the Education Ministers exercise powers under the Education Acts, complaints of unlawful discrimination or breach of statutory duty will be made in the first instance to the appropriate Minister. Individual legal proceedings will be precluded for a period not exceeding two months during which the Minister will consider the complaint and whether to exercise his powers. If, after the expiry of that period, the complainant remains dissatisfied, he will be entitled to bring proceedings in the courts. As regards those educational bodies over which the Education Ministers exercise no statutory powers (including the universities) the complainant will have immediate access to his legal remedies in the courts.

Complaints assigned to the Commission

104. All complaints about discriminatory advertisements will be made to the Commission. This is desirable because this type of complaint could not usually be shown to have any substantial prejudicial effect which could form the basis of an individual application to a court or tribunal. Moreover it will avoid numerous complaints in respect of the same advertisement being processed separately. The Commission will be able to take the matter up, for example, with the employer and/or advertiser concerned and, where appropriate, to seek assurances as to future advertisements. Where necessary, the Commission will be able to institute legal proceedings.

105. All complaints about instructions or pressure to discriminate unlawfully will be made to the Commission, which will take the matter up with the persons concerned. The aim wherever possible will be to resolve such situations by
persuasion and conciliation. However, the Commission will as a last resort be able to take legal proceedings. If, in the course of ordinary individual proceedings before a tribunal or court, it becomes apparent that the person against whom proceedings have been brought may have been under instructions or pressure from other persons to discriminate unlawfully, the tribunal or court, in addition to deciding the case before it, will be able to advise the parties of the right to complain about such pressure directly to the Commission.

**Occupational Licensing**

106. In addition to the individual's right of access to legal redress from the tribunals or courts, the Bill will also enable complainants to make representations to bodies conferring authorisations or qualifications to engage in a particular profession or trade about any acts of unlawful discrimination alleged to have been done by an applicant for such an authorisation or qualification or by his employees or agents. Such bodies will be required to have regard to such evidence in deciding whether the applicant is of sufficiently good character to be granted the necessary authorisation or qualification.

107. Where the applicant considers that the relevant body has discriminated unlawfully against him in deciding whether to confer the authorisation or qualification upon him, he will be entitled to appeal against the decision.

**THE RACE RELATIONS COMMISSION**

**Composition and Staffing, etc.**

108. It is proposed to create a Race Relations Commission consisting of a chairman and not more than 14 other members appointed by the Home Secretary after consultation with the other Ministers concerned. The Bill will not specify fixed quotas for persons of particular colour, race or ethnic or national origins; to do so would be contrary to the principle of selection on individual personal merit upon which the Bill depends. However, the Government will ensure that the various racial minorities are substantially represented in its composition. Members of the Commission will be appointed from persons with a wide range of relevant knowledge and experience (e.g., from industry, commerce, the professions, education, minority organisations, and those with special knowledge and experience of the operation of anti-discrimination legislation). It will include full-time and part-time members. It will be able to set up committees to deal with particular aspects of its work, and there will be provision for the appointment of additional commissioners to conduct special inquiries. The Commission will have a number of offices throughout the country and its staff will have appropriate specialist qualifications. In formulating these proposals the Government has had regard to the recommendation of the Select Committee on the composition and structure of the new Commission.

**Main Functions**

109. The Commission's main functions will be:

(a) to conduct investigations in areas covered by the Bill and take action to eliminate unlawful practices;

(b) to promote equality of opportunity between people of different colour, race or ethnic or national origins generally;
(c) to conduct inquiries into matters outside the scope of the legislation which may affect the relative positions and opportunities of the different racial, ethnic and national sections of the community;

(d) to assist and represent individual complainants in appropriate cases;

(e) to keep the operation of the legislation under review and make recommendations;

(f) to conduct research and to take action to educate and persuade public opinion.

110. As mentioned in paragraph 52 above, the precise nature of the relationship between the Commission and local community effort will depend upon the outcome of further consultation. However, whatever the decision, the Commission will necessarily maintain a close working relationship through its regional staff with local community relations officers and their community relations councils as well as with the various minority organisations. The Commission will have links with the appropriate central and regional bodies. The chairman of the Commission will serve on the proposed Standing Advisory Council (see paragraph 21 above). The Home Office will be the Department primarily responsible for the Commission. However, the Commission will also, of course, have direct access to those concerned with the development and implementation of race relations policies in the relevant Government Departments. It will be a valuable source of information and advice about the operation and effect of such policies. The Commission will also be a source of practical guidance to those affected by the legislation about practices and procedures which would promote equality of opportunity and encourage compliance with the spirit as well as the letter of the law.

Investigations by the Commission

111. The Commission will be entitled to conduct formal investigations on its own initiative for any purpose connected with the carrying out of its functions. It may also be required by the Home Secretary or the Secretary of State for Scotland to conduct investigations. Investigations may either be wide-ranging or confined to a particular organisation or individual. The terms of reference for a formal investigation will be drawn up by the Commission (where relevant in consultation with the Home Secretary or the Secretary of State for Scotland). In the course of such an investigation the Commission will be able, where necessary, to require the furnishing of written information and the production of documents as well as to summon witnesses to give evidence; and it will be able to seek a court order in cases of failure or refusal to comply with such a requirement. These powers to compel the disclosure of information and the giving of information will only be exercisable if either (a) the Home Secretary has given appropriate authorisation or (b) the terms of reference of the investigation state that the Commission believes that a particular organisation, or individual named in them, may have done or may be doing unlawful discriminatory acts, and confine the investigation to that matter. There will be restrictions on the disclosure of information obtained in the exercise of these powers so as to ensure respect for personal privacy and confidentiality.

112. Upon completion of an investigation, the Commission will establish the relevant facts and will publish or make available for inspection a report which might include recommendations for changes in policies and procedures,
or recommendations to the Home Secretary for changes in the law or other changes. Where an investigation discloses an unlawful act or practice the Commission will be empowered to issue a non-discrimination notice requiring the recipient to cease doing such acts or operating such practices or to alter his practices so as to comply with the law. The Commission will not issue a non-discrimination notice unless it (a) has first given notice to the recipient of its intention to do so, specifying the grounds, and (b) has offered him an opportunity of making oral or written representations. It will, however, be able, where appropriate, to require the recipient to take reasonable steps to make known, to those likely to be affected, the changes which are made in the practice concerned, and to inform the Commission that he has effected those changes and what those changes are. A non-discrimination notice will also be able to require the recipient to furnish the Commission with such other information as may be reasonably required by the notice in order to verify that the notice has been complied with. It may specify the time at which, and the manner and form in which, any information is to be furnished to the Commission.

113. The recipient will be entitled to appeal to the tribunal or court (as the case may be) against any requirement of the notice on the ground that it is unjustified or unreasonable. The tribunal or court will determine on the evidence whether to confirm the notice or to quash it, with or without any amendments. If no appeal is made against a notice within six weeks from the date when it was served or if the recipient’s appeal is unsuccessful and the notice is confirmed by the tribunal or court, the notice will become final (i.e., non-compliance with its terms will render the recipient liable to legal proceedings). All non-discrimination notices which have become final will be recorded in a public register maintained by the Commission.

114. The Commission will be able to undertake a further investigation at any time within five years from the date on which a non-discrimination notice has become final so as to ascertain whether the recipient has complied with its terms.

Other powers of enforcement

115. If, within five years from the date when a non-discrimination notice or a finding by a court or tribunal of unlawful discrimination has become final in relation to any person, it appears to the Commission that he is likely again to act unlawfully, the Commission will be able to apply to the county court for an injunction (or, in Scotland, to the sheriff court for an order) restraining him from doing so.

116. With a view to applying for an injunction or order against persistent discrimination in the field of employment and related matters, if the tribunal has not already made a finding that a person has done an unlawful act, the Commission will be empowered to present to the tribunal a complaint that he has acted unlawfully. If the tribunal considers that the complaint is well-founded it will make a finding to that effect, and it may also:—

(a) declare the rights of the person discriminated against and the respondent; and/or

(b) recommend that the respondent take action to obviate or reduce the adverse effect on the person discriminated against of the discrimination to which the complaint relates.

28
or recommendations to the Home Secretary for changes in the law or other changes. Where an investigation discloses an unlawful act or practice the Commission will be empowered to issue a non-discrimination notice requiring the recipient to cease doing such acts or operating such practices or to alter his practices so as to comply with the law. The Commission will not issue a non-discrimination notice unless it (a) has first given notice to the recipient of its intention to do so, specifying the grounds, and (b) has offered him an opportunity of making oral or written representations. It will, however, be able, where appropriate, to require the recipient to take reasonable steps to make known, to those likely to be affected, the changes which are made in the practice concerned, and to inform the Commission that he has effected those changes and what those changes are. A non-discrimination notice will also be able to require the recipient to furnish the Commission with such other information as may be reasonably required by the notice in order to verify that the notice has been complied with. It may specify the time at which, and the manner and form in which, any information is to be furnished to the Commission.

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(a) declare the rights of the person discriminated against and the respondent; and/or

(b) recommend that the respondent take action to obviate or reduce the adverse effect on the person discriminated against of the discrimination to which the complaint relates.
However, only the Commission will be able to apply for an injunction (or, in Scotland, for an order) in the field of employment and related matters.

117. The Commission will be able to take similar preliminary action before a tribunal with a view to applying for an injunction or order against persistent discrimination in relation to discriminatory advertising, and instructions or pressure to discriminate unlawfully in the field of employment and related matters.

118. The Commission will be able to take further action to eliminate unlawful practices. For example, it will be able to draw unlawful conduct to the attention of relevant public authorities and private institutions.

**Individual complaints**

119. The Commission will be informed of all complaints made to the tribunals or courts and will receive copies of all decisions. It will become a source of information generally about the working of the legislation in relation to individual complaints. It will have the power where appropriate to advise and assist individuals in preparing and presenting complaints, to attempt to settle any matter in dispute, and to help complainants to conduct legal proceedings, including appeals (paragraphs 87 and 98). However, it will not be under any duty to give advice or assistance, but will be empowered to do so at its discretion (paragraph 87). Moreover, the Commission will have no greater power in representing an individual than would be enjoyed by the individual or his representative (see paragraphs 5 and 111).

**Inquiries into areas not covered by the Bill**

120. The Commission's role will not be confined to the promotion of equal opportunity and the elimination of racial discrimination in the narrow legal sense. It will also be able to conduct wide-ranging inquiries into matters not covered by the Bill which cause or contribute to discrimination, prejudice and disadvantage. For these purposes, the Commission will be empowered to require the furnishing of written information and the production of documents as well as to summon witnesses to give evidence. However, these powers will be exercised only with the consent of the Home Secretary or the Secretary of State for Scotland and subject to the safeguards referred to above in paragraph 111.

**Monitoring the legislation**

121. The Commission will advise the Government about the operation of the legislation and about any statutory orders to be made under the Bill (e.g. to narrow, widen or repeal exceptions to the scope of the Bill).

**Research and promotional functions**

122. In addition, the Commission will be able to conduct or support research, and it will be represented on the Advisory Committee on Race Relations Research. It will also take action to educate and persuade public opinion with a view to promoting equality of opportunity irrespective of colour, race or ethnic or national origins.
123. The Commission will be required to make periodic reports to the Secretary of State about its activities. Its reports will be laid before Parliament and will be open for debate in the usual way.

RACIAL INCITEMENT AND PUBLIC ORDER

124. Section 6 of the Race Relations Act 1965 created the offence of incitement to racial hatred. A person is guilty of the offence if, with the deliberate intention of stirring up racial hatred, he circulates written matter or uses words in public which (a) are threatening, abusive or insulting and (b) are likely to stir up such hatred. Section 5 of the Theatres Act 1968 also made it an offence for anyone to present or direct a public performance of a play, involving the use of threatening, abusive or insulting words, with the deliberate intention of stirring up racial hatred, if that performance, taken as a whole, is likely to have such an effect. Both offences are punishable, on summary conviction, by a maximum of six months' imprisonment or a fine of £200, or both; and, on conviction on indictment, by a maximum of two years' imprisonment or a fine of £1,000, or both. No prosecution can be brought in England and Wales for either offence except by or with the consent of the Attorney General.

125. These offences are entirely separate from the anti-discrimination provisions of the race relations legislation. They deal with the stirring up of racial hatred rather than with acts of racial discrimination; they are criminal rather than civil; and they are enforced in the criminal courts rather than by the Race Relations Board in the civil courts. In several respects they are similar to the offence under Section 5 of the Public Order Act 1936 of using threatening, abusive or insulting words, in any public place or at any public meeting, with intent to provoke a breach of the peace or whereby a breach of the peace is likely to be occasioned. They are concerned to prevent the stirring up of racial hatred which may beget violence and public disorder.

126. Relatively few prosecutions have been brought under Section 6 of the 1965 Act and none has been brought under Section 5 of the Theatres Act. However, during the past decade, probably largely as a result of Section 6, there has been a decided change in the style of racist propaganda. It tends to be less blatantly bigoted, to disclaim any intention of stirring up racial hatred, and to purport to make a contribution to public education and debate. Whilst this shift away from crudely racist propaganda and abuse is welcome, it is not an unmixed benefit. The more apparently rational and moderate is the message, the greater is its probable impact on public opinion. But it is not justifiable in a democratic society to interfere with freedom of expression except where it is necessary to do so for the prevention of disorder or for the protection of other basic freedoms. The present law penalises crude verbal attacks if and only if it is established that they have been made with the deliberate intention of causing groups to be hated because of their racial origins. In the Government's view this is too narrow an approach. It accepts the observation made by Sir Leslie Scarman in his report on the Red Lion Square disorders that Section 6 is too restrictively defined to be an effective sanction. It therefore proposes to ensure that it will no longer be necessary to prove a subjective intention to stir up racial hatred.

127. The present law does not, however, penalise the dissemination of ideas
based on an assumption of racial superiority or inferiority or facts (whether true or false) which may encourage racial prejudice or discrimination. It is arguable that false and evil publications of this kind may well be more effectively defeated by public education and debate than by prosecution and that in practice the criminal law would be ineffective to deal with such material. Due regard must also of course be paid to allowing the free expression of opinion. The Government is not therefore at this stage putting forward proposals to extend the criminal law to deal with the dissemination of racialist propaganda in the absence of a likelihood that group hatred will be stirred up by it. It recognises, however, that strong views are held on this important question and will carefully consider any further representations that may be made to it.

CONCLUSION

Towards an Effective Race Relations Policy

128. When Parliament first legislated ten years ago to make racial discrimination unlawful, it involved for this country a pioneering and novel use of the law to deal with a new social situation which had arisen as a result of the settlement of immigrants from the coloured Commonwealth and of the difficulties they encountered. The experience of the intervening years has confirmed that the use of law to secure equality of treatment and to provide an individual remedy has lost none of its relevance. Indeed, the Government believes that the nature and scale of the problems involved gives urgency to the need to strengthen the existing legislation along the lines set out in this White Paper.

129. The Government has no wish, however, in proposing these measures to encourage a discussion of race relations solely in terms of "problems", still less to imply that the racial minority communities who now constitute an integral part of our society are helpless victims in need of constant attention and assistance. Nothing could be further from the truth. Teachers and social workers in areas of immigrant settlement have testified frequently in the past to the leaven of energy and resourcefulness that the immigrant communities have brought with them into our society. The Government endorses that view. That is why it believes that it is vital to our well-being as a society to tap these reservoirs of resilience, initiative and vigour in the racial minority groups and not to allow them to lie unused or to be deflected into negative protest on account of arbitrary and unfair discriminatory practices. In any full strategy for better race relations, the voluntary initiatives of the racial minority communities and their organisations will play an indispensable part.

130. Nor is it wise or fair to understatement the extent of tolerance in our society. The Government is impressed by the sheer scale and diversity of the voluntary initiatives that have been undertaken in the last decade, by groups of ordinary men and women, with no reward or recognition in mind, in order to create a slightly more humane and open society in these islands. Without their spontaneous and unofficial initiatives, Government action by itself will always remain incomplete.
CABINET

MEASURES TO ALLEVIATE UNEMPLOYMENT

Memorandum by the Secretary of State for the Environment

1. I would normally be inclined to look with favour on any suggestion for putting more resources into minor projects to improve the local environment. I am acutely conscious of the extent to which our general economy moves are making it difficult to maintain any momentum for local environmental improvement, for which I have the main policy responsibility. But I do not think we can successfully urge local authorities to participate in the planning and execution of this work, as they would have to do enthusiastically if any jobs are to be created quickly, while we are at the same time strongly urging them to cut back on their current expenditure and their manpower. Many of the schemes suggested will be attacked as of low priority, compared to those that are having to be cut back. More serious still, they will be strongly resented by the authorities, their direct labour employees, and their unions, who will represent them as giving their jobs to others less well-qualified to do them.

2. Unemployment in construction in June 1975 was running at 12 per cent as against 3½ per cent in manufacturing. It will almost certainly get worse still over the next year. Even though such figures include some who were only fleetingly construction workers, the real difference is nevertheless immense. Against these figures can we defend action to mitigate unemployment that does not give some priority to construction?

3. Since we can afford so little to mitigate rising unemployment, what we can afford should be spent in ways that will have maximum political impact in retaining support for voluntary incomes policy. It must be concentrated on very limited fields, lest it be dismissed as a trivial token of conscience money, and those fields must be ones of priority to the unions and the Party.

4. Against this background, I would suggest that we would be better devoting some of the limited money available in 1975-76 and 1976-77 to housing improvements. The cuts have been sources of violent feeling both in the Party and the unions, and extra sums allocated now could prevent
some substantial redundancies in direct labour departments. £2.5 million extra for 1975-76 which could possibly be spent by Liverpool, Birmingham, Manchester, Swansea, Rhondda, Newport and certain Inner London boroughs would help to prevent a 1,000 redundancies this winter. £30 million more in 1976-77 would save 6,000 jobs. We can ensure that the money is really spent in these years - and not, as with many programmes, allowed to spill over into later years.

A C

Department of the Environment

18 September 1975
18 September 1975

CABINET

UNEMPLOYMENT MEASURES

Memorandum by the Secretary of State for Employment

1. Unemployment is still rising strongly. The seasonally adjusted figure at the September count had risen by 30,000 since August and in addition there were still 118,000 school-leavers on the register - a quite unprecedented number. We know the Trades Union Congress (TUC) and our supporters in Parliament and in the country are gravely perturbed by these figures. Public opinion generally will rightly revolt against the idea of rising unemployment; and we will come under great pressure to reflate the economy. I think it essential for us to show that we fully share the deepening concern about unemployment, and that we are taking significant steps to slow down the increase, to mitigate the effects of unemployment for those already unemployed and to reduce unemployment among young persons. This can be done at a fraction of the cost of a full reflation and it would be a price well worth paying to maintain our general strategy. But the amounts involved must not seem trivial.

2. In my own field I make the following proposals:

a. Work Creation

The Manpower Services Commission are ready to introduce their work creation scheme under which 15,000 jobs would be produced for unemployed persons at a cost of £30 million. The TUC are very keen on this scheme. I would propose that it should be orientated towards helping young persons, though it would not be restricted to them. The objection to work creation is that it may mean spending money on projects which are less worth while in themselves than other activities especially in the local authority field on which expenditure is being cut. The answer to this is that work creation projects can be introduced very quickly indeed and are highly labour intensive. Moreover, the scheme can be quickly wound up when no longer needed and does not lead to continuing expenditure.
b. Training

We have already provided an extra £50 million to the Training Services Agency (TSA) at the time of the Budget, followed by £8.5 million in July, and this will enable an additional 37,500 persons to be trained. The TSA have told me that they could expand existing schemes and introduce new schemes, mainly for the training of young persons in apprenticeships or otherwise, at a cost of £20 million. They have also proposed that training allowances should be uprated when unemployment benefit is increased in November so that the allowances maintain their percentage lead over benefit. That would cost £2.1 million. Finally they have drawn my attention to the thin lead (75p) which the training allowance for young persons has over the corresponding rate of benefit. They would like to increase this lead to something like the lead enjoyed by adults at a cost of £1.8 million and thus provide an added incentive for young people to take training courses. I strongly support all these proposals, costing some £24 million in all spread over the years 1975-76 and 1976-77.

c. Recruitment Subsidy

We have already agreed to introduce a recruitment subsidy for young persons payable to employers who recruit this summer's school-leavers. My original proposal was that the scheme should be introduced from 1 November at a cost of £3.3 million. I now propose that it should be introduced from 20 October at a cost of £5 million. I would like the subsidy to be available to public employers as well as to others so as to hasten the absorption of the school-leavers into employment. I understand the Treasury have seen some difficulty about doing this, but I hope the difficulty can be overcome. Extensive publicity will be needed for the success of this scheme and I would like to spend a little money on that.

d. Temporary Employment Subsidy

This scheme, which operates in the assisted area, applied to redundancies of 50 or more. We judged that the subsidy would be applied for in perhaps 25 per cent of eligible cases. During the first four weeks' operation of the scheme applications have come in in respect of 33 per cent of eligible redundancies. If, over a year, the 25 per cent estimate proves valid, 32,000 jobs will have been preserved at a cost of £8.5 million. I would propose to extend this scheme to the whole country, increasing the number of jobs preserved to 60,000 at an additional cost of £7.5 million. The main difficulty in doing this is that the European Commission may raise objection to the subsidy being paid outside the assisted areas. However, the subsidy is an extremely economical way of creating work and I think we should be prepared to argue our case with the Commission.
Labour Mobility

From 1 November we are doubling expenditure on the Employment Transfer Scheme under which unemployed workers are given financial assistance to move to other parts of the country for work. The £4 million involved was provided by the Chancellor of the Exchequer in his Budget. We could improve this scheme still further at the cost of a further £3 million. At present 14,000 workers a year are helped to move and we estimate that the £4 million additional expenditure already approved plus the £3 million I am now proposing would increase this number to around 22,000. It would be a great help in this area if local authorities could be persuaded to make more houses available for transferred workers.

3. The proposals I have just made would cost £70 million in all. That is useful in so far as it goes but it is, in my view, a quite inadequate response to the current unemployment situation and will not avert the dangers to which I drew attention at the beginning of this paper. I believe it is necessary to make some selective increases in public expenditure. They should be such as to create a maximum number of jobs and they should be capable of being introduced quickly and also wound up quickly when the need is past. I do not think that measures to improve industrial efficiency, highly desirable though they are in the longer term, fall into this category. Other Ministers will be better able than I am to suggest suitable areas for expenditure. The Secretary of State for the Environment has told me that he could spend in 1975-76 and 1976-77 an additional £33 million on local authority house improvements, £23 million on private sector house improvements and £45 million on new house building and renovation through housing associations. This expenditure would provide some 14,000 jobs on work of obvious utility and is the kind of selective expenditure I would think to be necessary.

4. There are other possible ways of relieving unemployment such as encouraging both organisations and individuals to buy British. It seems particularly desirable that public authorities should be urged to do this. I would also support an exhortation from the Government to young people to stay on at school or to go into further education from school. Coupled with this might be an appeal to employers to allow more young people day release for educational purposes.

5. Finally, it would be desirable for us to have contingency plans prepared for taking further action to deal with unemployment should the situation worsen considerably during the winter. In my own field it would be possible to contemplate increased expenditure on the work creation scheme which would be feasible once the scheme presently proposed has been introduced and got into its stride. I think such further studies should
also examine the possibility of increasing public expenditure in fields with a high degree of utilisation of labour, while reducing it by a commensurate amount in fields where labour utilisation is low.

M F

Department of Employment

18 September 1975
CABINET

MEASURES TO ALLEVIATE UNEMPLOYMENT

Memorandum by the Chancellor of the Exchequer

1. The Secretary of State for Employment has proposed that, in the light of the September unemployment figures, we should announce that the Manpower Services Commission (MSC) are being authorised to introduce a work creation scheme. He has also proposed that we should advance the date of the recruitment subsidy for school leavers, which the Ministerial Committee on Industrial Development (IDV) has approved for introduction on 1 November. I agree that we need to take a fresh look at these proposals in view of the trend in unemployment. But I felt that we should at the same time consider the case for announcing other possible measures of the kind which we have already introduced in order to act on the unemployment problem and safeguard our industrial capacity. I now attach a paper by officials which discusses possible measures.

2. In brief, the main possibilities of this kind are:

i. Recruitment subsidy for school leavers. £5 per head per week is to be paid for 26 weeks to employers taking on school leavers who have not previously obtained a job. Gross cost £5 million; maximum gross employment effect 35,000-40,000.

ii. Work creation. The MSC scheme is designed to employ 15,000 people, mainly the young, on non-essential amenity and welfare projects. These projects would be administered by local authorities, voluntary bodies and private firms but would be financed by grants from the MSC. This scheme was earlier considered by IDV, but not endorsed by them. Gross cost £30 million; maximum employment effect 15,000. The MSC has pressed for an early announcement of the scheme, if it is agreed, on the grounds that it is unlikely to have much impact on unemployment before the New Year unless practical planning can start in the next few weeks.

iii. Training. Proposals for relatively limited further expansion of this programme may be presented soon, but meanwhile the only firm proposal received involves increasing somewhat the adult training allowances. Gross cost £5 million a year.
iv. **Advance factory programme.** £20 million of further work could be undertaken on the building and modernisation of factories on Government and industrial estates.

v. **Industrial investment schemes.** A further £50 million could be allocated under Section 8 of the Industry Act, to supplement the £100 million announced in the Budget, for acceleration of capital projects by individual firms and for further industry schemes.

3. The total gross cost of proposals i.-iii, which are aimed more directly at unemployment in the short term, is about £40 million incurred over the next 18 months. There would, however, be some offset in the form of unemployment benefit saved. This might reduce the cost by about a quarter to a third. It is very difficult to calculate the employment effect, which depends on such factors as the take-up of the schemes, the degree to which recruitment of one worker displaces another and the extent to which people made redundant actually register as unemployed. Very broadly, however, the maximum effect on employment might be about 50,000 by early 1976, though this does not allow for any displacement. This would be additional to the effect of the Temporary Employment Subsidy.

4. The £20 million on advance factories would be spent in about the same time, but the further £50 million for industrial investment would be spread over five to six years. These measures are relevant to the development of our longer term industrial strategy, which we shall shortly be discussing in the National Economic Development Council, but they do also have some limited impact on employment in the short term, apart from their psychological effect, and I think that they could perfectly well be presented in a single package with the other measures, if that is the preferred course. The total gross cost of the whole package is put at around £110 million in Great Britain, and perhaps a further £5 million for Northern Ireland.

5. We need to take into account on the one hand the mounting and understandable pressure, especially from our supporters, to take action so as at least to take the edge off the unemployment problem, and on the other hand the imperative need to contain the borrowing requirement in the short run and public expenditure in the medium term. I should see extreme difficulty in the way of any proposal which might jeopardise this latter objective, and from this point of view it is the work creation scheme which could present the most problems. At the same time it is the only measure in the package which could be expected to create additional jobs in the short term. I myself believe that, especially if it were directed so far as possible towards the problem of the young, it need not prevent us from holding the line, as we must do, against increases in local authority expenditure programmes. On this basis, I should be prepared to accept the proposals from the Secretary of State for Employment, in conjunction with the other measures listed. In that event, I should see advantage in an early announcement of the whole set of measures.
CONCLUSIONS

6. On balance I myself see advantage in this particular set of measures, which could strengthen rather than weaken our position in containing expenditure programmes generally. The presentation of the measures will clearly require careful handling, and the question of timing is clearly a matter of political judgment but, if my colleagues share my view on this, I would prefer to arrange an early statement of the set of measures, in collaboration with the Secretary of State for Employment and the Secretary of State for Industry.

D W H

Treasury Chambers

18 September 1975
MEASURES TO ALLEVIATE UNEMPLOYMENT AND INCREASE
INDUSTRIAL EFFICIENCY

Note by Officials

Introduction

1. Over the past year the economy has had to face the problem of world recession and growing unemployment in the UK. But the severe constraints imposed by our very large balance of payments deficit, our excessive rate of inflation, and the large public sector borrowing requirement have inhibited the Government from responding to the situation by general reflation of home demand. However, a number of measures have been introduced which, while falling short of general reflation, have been designed -

(a) to ensure so far as possible that our industrial capacity is not impaired by the recession and that our ability to compete in the next upturn is not weakened and

(b) to act on the unemployment problem selectively rather than through raising the level of demand in the economy generally.

2. These measures have included -

(a) the £100 million package announced in the Budget to accelerate major investment projects and to assist selected industries to modernise and rationalise;

(b) an additional £50 million to the Manpower Services Commission (MSC) for the expansion of training facilities, also announced in the Budget, and the further £10 million for training measures announced in July;

(c) the introduction on 18 August of the Temporary Employment Subsidy as an incentive to companies to suspend planned redundancies.
3. We have been asked to consider what further measures of this kind, again falling short of general reflation, could now be introduced to meet the aims described in 1(a) and (b) above. The proposals which look most promising, and which can best be reconciled with the severe constraint under which we are operating, are discussed below and are listed in the table appended to this paper.

Recruitment Subsidy for School Leavers

4. Ministers have already agreed at IDV that a subsidy to employers who take on school-leavers should be introduced, after consultation with the TUC and CBI which is taking place. The decision was to be kept confidential until nearer the date of introduction but it has been leaked. The scheme involves paying £5 per head per week for 26 weeks to employers for any school-leavers who have not previously obtained a job and who are taken on by 31 December, and a similar provision for Christmas school-leavers in Scotland, to operate in March and April. An amendment to the Employment Protection Bill is to be tabled for Committee stage in the Lords on 15 or 16 October, giving broad powers to introduce this type of scheme. The existing decision is to introduce the scheme on 1 November, and on this basis the cost of the scheme is estimated at £3.3 million (not counting Unemployment Benefit etc saved), up to the end of September 1976. It is now proposed that the date of implementation should be brought forward by two weeks to 20 October, at an extra cost of about £1.4 million (gross). There is an unresolved question whether the subsidy should be paid to local authority and other public sector employers. Arguments against this are that two thirds of local authority wage costs are already met by Central Government by rate support grant, and it would be difficult to reconcile this further specific subsidy with the stern injunctions from the Government to local authorities to restrict their manpower; and that it should be possible to urge public sector employers to give preference where possible to school-leavers without recourse to a cash incentive.

If the subsidy were announced at once, rather than when the amendment to the Employment Protection Bill is tabled, payments under the scheme, once introduced, might be made with retrospective effect as from the date of the announcement.
Work Creation

5. The Manpower Services Commission have prepared a plan under which local authorities, nationalised industries, voluntary bodies and private firms would provide about 600 non-essential amenity and welfare projects giving employment to about 15,000 people in a twelve month period. Examples are supervision of play groups, road safety instruction in schools, driving disabled people, meals on wheels, painting old people's dwellings, amenity grass cutting, clearing footpaths, litter clearance, restitution of village ponds, excavation of archaeological sites. The cost is estimated to be about £30 million per annum (not allowing for unemployment benefit saved). The scheme could be introduced under existing legislation within about a month of a decision, and be financed by an increase in the grant-in-aid to the MSC. The main point in favour of such a scheme is that it would genuinely create jobs in the near future, and that it is the only candidate for inclusion in the proposed package which could be expected to have any significant effect of this kind. The subsidy for school-leavers, for instance, is more likely either to affect the timing of recruitment or to switch employment to school-leavers from older people.

6. Against this, the scheme might come in for criticism on the grounds that it was only tinkering with the problem, while industrial workers may object that the money should be devoted to preserving employment in industry rather than allocated to trivial-sounding jobs of the kind involved in this scheme. It is also a serious drawback to the proposal that it would involve urging local authorities, who would be the main providers of the projects concerned, to take on temporary staff in the immediate future, while at the same time seeking to impose severe constraints on their regular manpower programmes from next year on. The fact that the money would be channelled through the MSC should help to identify the scheme as special and temporary, and it would further...
help to meet the objections just mentioned if it could be orientated towards younger people to a greater extent than has featured in the MSC's original proposals.

**Training**

7. As noted above, there has already been a major expansion of the training programmes in the public and private sectors. The Training Services Agency have been asked to consider what more can be done but they will not be able to report back with firm proposals for some weeks. In any case the amount of expenditure, and the scope for increase, is not likely to be significant. Meanwhile the only firm proposal is for the uprating of training allowances.

8. The allowances paid to trainees in the main courses sponsored by the MSC's Training Services Agency were increased substantially in the summer as part of the measures announced in the Budget. The differential by which the allowances exceed unemployment benefit is intended as an incentive to potential trainees both unemployed and in employment. Unemployment benefit is to be uprated in November and a further simultaneous increase in the allowances could be justified, in the light of the high level of unemployment, in order to maintain the existing target for the number of trainees. Maintaining the percentage differential would cost about £5 million a year.

**Advance Factory Programme**

9. An extra £20 million of building and modernising factories on Government industrial estates could be done in the period up to April 1977. This would provide up to 1,000 genuine extra jobs in the construction industry in the Assisted Areas over that period. The new factories should be ready for occupation in time for the upswing and thus have some long term structural benefit.
to the economy. The split between England, Wales and Scotland remains to be settled: the provision for England could include some of the work recommended by the Steel Closure Task Force for Hartlepool and some "industrial rehousing". Some of this work could qualify for assistance from the EEC Regional Development Fund.

Industrial Investment Schemes

10. It is proposed to allocate a further £50 million under Section 8 of the Industry Act in order to carry further the industrial measures announced in the Budget for sustaining our industrial capacity in the recession and improving our industrial performance in the medium term. £25 million of this would be made available for accelerated capital projects by individual firms, to be achieved by loosening somewhat the terms on which assistance is available. It would remain the objective that new private sector investment should be generated in a ratio of 5 or 6:1 to the Government money provided.

11. The balance of £25 million would be made available for a new industry scheme. The Department of Industry have a number of proposals under consideration, for example schemes:

(a) to increase the use of waste paper by the UK paper industry;
(b) for the textile machinery industry;
(c) for the printing machinery industry;
(d) for an expansion of the existing ferrous foundry plan.

Provision of £25 million would be sufficient to finance the waste paper scheme which, in reducing import penetration of a key material, serves a priority objective of our industrial strategy; and this is the Department of Industry's priority candidate.
12. The effects of this expenditure by way of generating employment in the short term are incidental to the longer term industrial objectives. Nevertheless they should have a small beneficial effect on employment over the next eighteen months.

Cost
13. The gross expenditure involved in this package of measures is provisionally estimated at around £110 million. Leaving aside Section 8 assistance to industry, about £20 million would be spent in 1975-76 and £40 million in 1976-77. The remaining £50 million of Section 8 assistance would be spread over five to six years, with significant expenditure starting in 1976-77. Only the advance factory programme is specifically confined to the assisted areas; in this case the division between Wales, Scotland and the English regions would have to be settled interdepartmentally, taking local employment needs into account.

14. There would be a greater or lesser degree of offset to the gross cost to the extent that the measures reduce the numbers of unemployed who would otherwise be drawing benefit. The Appendix to this paper lists against each item the notional employment effect, ie the number of people involved on the assumption of maximum take-up of the scheme. But the size of the expenditure offset would depend in part on the extent to which there was a corresponding net employment effect (in fact the reduction in the number of unemployed would be considerably less than these notional maximum figures) and in part on the average amount of benefit per week. Allowing for these factors an estimate has been made that the offset to the gross cost of the package discussed above would be in the range £13-18 million in a year.

Temporary Employment Subsidy

15. The temporary employment subsidy is of interest from two points of view - the extent to which the Government could claim credit for the existing scheme, and the case for extending the scheme, either by widening the eligible areas or increasing the rate of subsidy, or by easing the conditions for eligibility.

---

(1) These figures do not take account of the consequential package of measures which would be expected for Northern Ireland, involving up to a further £5 million.
16. When the existing scheme was drawn up, an estimate was made that the employment effect in a full year might be as high as 30,000 to 40,000 at a gross expenditure cost of £8 million. Taking account of the variables mentioned above, we have assumed that the savings in benefit would broadly offset the gross cost. However, there is still only limited experience to help in estimating what the eventual take-up of the scheme will be, and therefore what amounts will be involved. Up to 12 September the number in respect of whom applications for subsidy had been made was 2,600, and the number accepted for subsidy was 625. It is proposed to review the scheme as soon as there is adequate experience of its operation, but meanwhile there is obvious difficulty over either reaching conclusions on its extention or making firm claims as to its employment effects.

Other Measures

17. With the exception of work creation schemes administered by local authorities under the aegis of the MSC, we have not considered countercyclical public expenditure schemes of the kind attempted in 1971-72 when local authorities were asked to accelerate spending on infrastructure. There are two principal objections to this approach. First, experience indicates that it is difficult to mount such exercises so as to achieve the desired effect in the timescale required and to close them down when an upturn in the economy occurs. (The problem is aggravated by the fact that additional capital works subsequently generate additional current expenditure.) The countercyclical increases in housing improvement grants, which were hoped to be quick acting, in fact contributed to excess pressure on the building industry at a later stage. Secondly, it would be impossible to reconcile requests to local authorities to increase their own expenditure this year and next on particular programmes or projects with the strong injunction to cut their spending and reduce their manpower demands to a minimum which Ministers are making through the Consultative Council.
18. It has been suggested that a special increase in maintenance expenditure on local authority housing could be introduced which could operate quickly, and which would be more useful than much of the work that would be carried out under the job creation scheme. Others have expressed doubt whether it is possible to single out any particular local authority expenditure programme for a special increase without incurring the kind of difficulty referred to above.

19. It has also been suggested that it would be appropriate to urge young people to take the fullest possible advantage of the scope for them to stay on at school if they do not already have this in mind. This in itself would not necessarily entail any additional public expenditure allocation. But doubt has been expressed about the likely effectiveness of exhortation in this matter.

General

20. A number of Departments have expressed doubts or reservations about the case for the proposed package at this juncture, either on grounds of timing, or with regard to its composition and balance, or on account of the difficulty of reconciling this expenditure, and particularly that part of it affecting local authorities, with the policy of restraining public expenditure programmes generally. It is a matter for political judgment whether the proposed limited expenditure at this stage would help to stave off pressure for reflationary expenditure on a larger scale.

21. These doubts relate particularly to the proposal for a work creation scheme. If this does go ahead, the general view is that it will require specially careful presentation to try to mitigate the difficulties and expected criticisms, and that it would help if prominence could be given to relatively more useful projects which might be financed under the scheme (for instance, it has been suggested that maintenance projects in
**APPENDIX**

### NEW PROPOSALS

<table>
<thead>
<tr>
<th>Gross Cost £m</th>
<th>Notional Employment Effect</th>
<th>Notional Saving in Unemployment Benefit (or Supplementary Benefits) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment Subsidy for School Leavers</td>
<td>5</td>
<td>35,000-40,000</td>
</tr>
<tr>
<td>Work Creation</td>
<td>30</td>
<td>15,000</td>
</tr>
<tr>
<td>Training Allowances</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Advance Factories</td>
<td>20</td>
<td>1,000</td>
</tr>
</tbody>
</table>

**Assistance to Industry:**

- **Acceleration of Investment Industry Scheme**
  - 25
  - Rather small
  - Negligible

<table>
<thead>
<tr>
<th>Gross Cost £m</th>
<th>Notional Employment Effect</th>
<th>Notional Saving in Unemployment Benefit (or Supplementary Benefits) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>51,000-56,000</td>
<td>12-15</td>
</tr>
</tbody>
</table>

### EXISTING SCHEME

- **Temporary Employment Subsidy**
  - 8
  - 30,000-40,000
  - 8
CABINET

AN ACCOUNT OF THE BRITISH AID PROGRAMME

Note by the Minister for Overseas Development

1. I am circulating for the information of my colleagues the attached advance copies of "An Account of the British Aid Programme". This is an annual publication and it will appear in the Command Series on 25 September.

2. The paper gives a detailed account of our aid programme in 1974. It was prepared for the annual aid review of the United Kingdom in the Development Assistance Committee of the Organization for Economic Co-operation and Development on 16 September 1975.

R P

Ministry of Overseas Development

22 September 1975
MINISTRY OF OVERSEAS DEVELOPMENT

An Account
of the
British Aid Programme

Text of United Kingdom Memorandum
to the Development Assistance Committee
of the Organisation for Economic
Co-operation and Development

Presented to Parliament by the Minister for Overseas Development
by Command of Her Majesty
September 1975

LONDON
HER MAJESTY'S STATIONERY OFFICE
50p net
Cmnd. 6223
PREFACE

1. The 1975 United Kingdom Memorandum to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development is the sixth such Memorandum to be published with the object of providing additional information about United Kingdom development assistance activities. The Memorandum covers activities in the calendar year 1974 with special reference to aspects which the DAC regards as immediately relevant to its purposes. Because the Memorandum has been provided primarily for purposes of international discussion, figures are expressed in dollars as well as sterling.

2. The Organisation for Economic Co-operation and Development, established by a Convention in Paris in December 1960, is the principal forum for consultations at both Ministerial and official levels on economic issues of common interest to members, who comprise most of the European and other developed countries. Its work embraces broad aspects of the world economy and its aims include the promotion of policies contributing to sound economic expansion in non-member countries in the process of economic development.

3. The Development Assistance Committee is one of the specialist committees set up by OECD to achieve its aims. It is concerned with the volume and effectiveness of resources made available to less developed countries. Members periodically review together the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult on other relevant aspects of their development assistance policies. The Memorandum now published is the current contribution by the United Kingdom to this process of review.

4. Participating in the work of the DAC are:
   Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Economic Communities.

5. DAC members raised their net provision of Official Development Assistance (ODA) by 21 per cent in 1974 to $11.3 billion ($9.4 billion in 1973). This corresponded to 0.33 per cent of their combined GNP, compared with 0.30 per cent in 1973. However, preliminary estimates suggest that prices of aid financed goods and services rose much faster than prices generally and, as a result, the increase of 21 per cent in ODA measured in dollars was equivalent to only a small increase in the volume of real resources transferred.

6. A detailed statistical account of United Kingdom aid is provided in the annual publication “British Aid Statistics”.
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Introduction

1. Preliminary United Kingdom economic aid figures for 1974 show net official disbursements as $802 million (£343m.) and gross disbursements as $905m. (£387m.). The 1973 figures were $664m. (£271m.) and $766m. (£312m.) respectively. Official development assistance in 1974 was $722m. (£309m.) net and $824m. (£352m.) gross compared to $603m. (£246m.) and $704m. (£287m.) respectively in 1973.

2. In 1974 the United Kingdom sought to direct more of its bilateral aid effort towards meeting the needs of the poorest developing countries. 1975 will see a further concentration on this group of countries, in relation to both the quantity and the quality of the aid they receive. The United Kingdom Government has recently decided that all future official development assistance commitments to developing countries with a per capita GNP of less than $200 and whose economic prospects are such as not to warrant exclusion, will be on grant terms and that those countries which still receive loans will have the option for procurement sources to be extended to include those developing countries with a per capita GNP of less than $200.

3. It is a central objective of the United Kingdom’s aid policy to give a greater emphasis to rural development. But the United Kingdom cannot, and does not wish to, impose its rural development policies on developing countries. It is however taking a more active role by making clear its desire and willingness to strengthen its contribution to rural development. The Commonwealth Ministerial Meeting on Food Production and Rural Development held in London in March 1975 provided a valuable opportunity for Commonwealth Ministers to consider ways in which impetus could be given in a Commonwealth context to World Food Conference Resolutions for raising the level of food production and promoting rural development in developing countries and the United Kingdom joined other Commonwealth countries in endorsing the view at the subsequent Heads of Government Meeting in Kingston, Jamaica, that the consensus reached on the high priority to be given to rural development by individual governments and aid agencies was the most important and worthwhile outcome of the London meeting.
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I. SIGNIFICANT CHANGES IN THE OVERALL EFFORTS AND POLICIES

Aid Volume

Disbursements

4. In 1974 gross disbursements of official development assistance (including various transactions not encompassed in the aid programme) totalled $824m. (£352m.). This together with other official flows (comprising certain Commonwealth Development Corporation disbursements, some of which may be financed under the aid programme but not treated as official development assistance, and a number of miscellaneous grants that are classified as official flows to developing countries although not qualifying as official development assistance) total $905m. (£387m.) compared with $766m. (£312m.) in 1973.

5. Net disbursements of official development assistance, that is, gross disbursements less amortization payments on past aid loans to developing countries, totalled $722m. (£309m.) in 1974 compared with $603m. (£246m.) in 1973. Net disbursements of total official flows were $802m. (£343m.) in 1974 as against $664m. (£271m.) in 1973.

6. The table below shows the breakdown of disbursements by type:

<table>
<thead>
<tr>
<th>1973</th>
<th>1974</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$m</td>
</tr>
<tr>
<td>Gross Official Development Assistance:</td>
<td></td>
</tr>
<tr>
<td>Bilateral:</td>
<td></td>
</tr>
<tr>
<td>Financial grants</td>
<td>104</td>
</tr>
<tr>
<td>Financial loans</td>
<td>261</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>178</td>
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<tr>
<td>Multilateral:</td>
<td></td>
</tr>
<tr>
<td>Financial Aid</td>
<td>131</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>30</td>
</tr>
<tr>
<td>Gross Other Official Flows:</td>
<td></td>
</tr>
<tr>
<td>Bilateral grants</td>
<td>51</td>
</tr>
<tr>
<td>CDC Investment (not qualifying as Official Development Assistance)</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL GROSS DISBURSEMENTS</td>
<td>766</td>
</tr>
<tr>
<td>Amortization</td>
<td>102</td>
</tr>
<tr>
<td>TOTAL NET DISBURSEMENTS</td>
<td>664</td>
</tr>
</tbody>
</table>

7. Gross disbursements of official development assistance in 1973/74 totalled $757m. (£309m.); disbursements of net official development assistance were $658m. (£268m.).

8. In 1974–75 the estimated gross official development assistance disbursements were $819m. (£350m.). The estimated net figure was $730m. (£312m.).

Commitments

9. The United Kingdom programme is controlled on a disbursement basis and commitments are entered into and discharged at a rate intended to give rise to the approved level of disbursements. The level of bilateral commitments at the end of 1973 was $642m. (£262m.); at the end of 1974 it was $757m.
Total gross bilateral expenditure of aid against commitments during 1974 was £611m. (£261m.). Multilateral commitments at the end of 1974 totalled $306m. (£131m.) compared to $143m. (£58m.) at the end of 1973. New commitments of all categories of official development assistance were $1,063m. (£454m.) in 1974 compared with $785m. (£320m.) in 1973.

10. Disbursement forecasts are reviewed during the course of each financial year and steps are taken to control commitments and their discharge according to whether the forecasts are high or low. Methods of improving forecasting are continually being sought in order to achieve the fullest disbursement of the approved programme. In order to allow greater flexibility in managing the aid programme, the Ministry of Overseas Development may carry over up to £10m. of over-expenditure and up to £5m. (with the possibility of a further £5m.) under-expenditure from one year to the next.

Geographical Distribution

11. The table below shows the geographical distribution of gross bilateral official development assistance and other flows for the five years 1970–1974:

<table>
<thead>
<tr>
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<td>£m</td>
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<td>(£m)</td>
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<tr>
<td>Europe</td>
<td>34</td>
<td>(14)</td>
<td>42</td>
<td>(17)</td>
<td>31</td>
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<tr>
<td>Africa</td>
<td>147</td>
<td>(61)</td>
<td>166</td>
<td>(68)</td>
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<td>America</td>
<td>49</td>
<td>(20)</td>
<td>71</td>
<td>(29)</td>
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<td>Asia</td>
<td>202</td>
<td>(84)</td>
<td>266</td>
<td>(109)</td>
<td>273</td>
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<tr>
<td>Oceania</td>
<td>20</td>
<td>(8)</td>
<td>21</td>
<td>(9)</td>
<td>27</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>(11)</td>
<td>36</td>
<td>(15)</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>477</td>
<td>(199)</td>
<td>602</td>
<td>(247)</td>
<td>663</td>
</tr>
</tbody>
</table>

In 1974, £61m. (£26m.) or 9 per cent of the total bilateral flows, went to the least developed group of countries; £290m. (£124m.) or 42 per cent to the most seriously affected countries as defined by the UN; £377m. (£161m.) or 54 per cent to the group of countries with a GNP per head of less than £200; and £39m. (£17m.) or 6 per cent went to OPEC countries, about half in the form of technical assistance.

12. Fluctuations in the rate of annual disbursements to particular countries do not necessarily result from changes in policy towards them: annual disbursement levels are dependent on many factors and may vary from year to year.

Prospects for 1975 onwards

13. The aid programme estimates for the 1975/76 financial year are £1,132m. (£484m.) gross and £1,039m. (£444m.) net. Because of the present economic difficulties in the United Kingdom, cuts have been imposed on public expenditure and the net aid programme has been reduced by £47m. (£20m.) in 1974 survey prices over the two financial years 1975–76 and 1976–77. After allowing for these changes, the gross aid programme for 1975–76 at current prices is £1,103m. (£471·4m.) which is a substantial rise in cash terms over the anticipated outturn in 1974–75 of around £819m. (£350m.). This could be expected to produce calendar year gross disbursements in 1975 of about
$994m. (£425m.). Estimated capital repayments in 1975 are $98m. (£42m.) producing a likely net official disbursement figure against the aid programme of about $896m. (£383m.). Estimated receipts of interest in 1975 are $51m. (£22m.). The United Kingdom aid programme for 1977–78 to 1979–80 is being determined as part of the Government’s review of all public expenditure.

**Aid and Effects of Inflation**

14. The annual White Papers on Public Expenditure indicate levels as then planned for the net aid programme over a five year period as part of the planning of public expenditure programme as a whole. The planning figures are on a constant price basis and are rolled forward each year by revaluation based on estimated price changes in the year concerned for the economic categories relevant to the programme. The United Kingdom system therefore has a built-in adjustment for price changes to the forward planning figures, subject to changes in policy which may involve changes in the published figures.

**Commonwealth Development Corporation (CDC)**

15. The CDC’s investments increased during 1974 by a net amount of $53·6m. (£22·9m.) to a total of $476·3m. (£203·6m.). Investments in agriculture, ranching and forestry, together with the allied processing plants, amounted to $110m. (£47m.). Simplified arrangements for providing Exchequer advances to the CDC on concessionary terms were introduced. The effective rate of interest was unchanged and advances to the CDC for agricultural projects continued to carry an enhanced concessionary element.

16. During 1974 Rwanda became the ninth non-Commonwealth country in which the CDC has been authorised to operate.

**Financial Terms and Conditions of Official Development Assistance (ODA)**

**Terms of Aid Disbursed in 1974**

17. Of the total of gross official development assistance and other official disbursements amounting to $905m. (£387m.) in 1974, $555m. (£237m.) or 61 per cent was in grant or grant-like form (that is, including technical assistance and contributions to multilateral agencies); $226m. (£97m.) or 25 per cent was as loans on interest-free terms; $42m. (£18m.) or 5 per cent related to loans provided at fixed concessionary rates of interest; $211,000 (£90,000) or less than 0·03 per cent related to disbursements from earlier loans at market rates of interest (including loans with interest waivers), and $81m. (£35m.) or 9 per cent was in the form of overseas investment by the CDC. Overall the terms of government-to-government loans disbursed in 1974, omitting flows through the CDC and debt reorganisation, provided a weighted average grant element of 73·6 per cent.

**Terms of Aid Committed in 1974**

18. The total value of new commitments of official development assistance in 1974 was $1,062m. (£454m.), of which $580m. (£248m.) or 55 per cent was in grant form (including technical assistance—taken to be the same as disbursements—and contributions to multilateral agencies) and $483m. (£206m.) was in loans. Of the total value of new official development assistance loan commitments entered into during the year, 78 per cent was interest-free and 99·8 per
cent carried a grace period for capital repayments. The combined weighted grant element of official development assistance loans was 69 per cent excluding debt reorganisation. When taken together with grant commitments, the grant element of the total was $882m. (£377m.) or 86 per cent of the commitments, excluding debt reorganisation.

19. The bulk of loan commitments continued to be interest-free. Where loans bear interest, it is at fixed concessionary rates ranging from 2 per cent to 6 per cent. This pattern of loans provides flexibility in the terms of United Kingdom lending to those recipient countries for which interest bearing loans are considered appropriate, and gives the ability to harmonize the terms of United Kingdom loans with those provided by other DAC members.

The DAC Recommendation on Financial Terms and Conditions

20. The United Kingdom complied in 1974 with the main objective contained in the DAC Terms Recommendation by attaining an average grant element of 86.4 per cent (against the target of at least 84 per cent) in its total official development assistance commitments. The United Kingdom is also making every effort to attain the special target set in the Recommendation for aid to the least developed countries which provides, inter alia, that the average grant element of all official development assistance commitments from a donor should be at least 86 per cent to each least developed country over a period of three years (the first three-year period is 1973 to 1975 inclusive). Aid commitments in 1974 to the least developed countries were made as a mixture of interest-free loans and grants in order to meet this target.

Criteria for Appropriate Terms and Conditions

21. The basis of United Kingdom policy towards the terms of government to government aid loans continues to be one of adapting these terms to meet the economic circumstances of the recipient country, taking especially into account current and prospective income per head, as well as its balance of payments prospects. The terms of aid extended to the recipient country by other donor countries are also taken into account. This policy conforms to the DAC Recommendation on Financial Terms and Conditions in relating the terms of aid on a case by case basis to the circumstances of each developing country or group of countries. The policy has been followed regularly by the United Kingdom in consortia and consultative group discussions of the aid to be given to individual countries.

22. As part of its policy of improving the quality of aid to the poorest developing countries, the United Kingdom has decided that all its future official development assistance commitments to developing countries with a per capita GNP of less than $200 and whose economic prospects are such as not to warrant exclusion will be on grant terms. This decision will take effect with regard to new commitments made after 12 June 1975.

Analysis of Refinancing and Consolidation Operations

23. The major “refinancing” operation in the aid programme in 1974 as in the previous year was a further interest-free loan to India amounting to $22m. (£9.4m.) to reimburse the Government of India for certain repayments of capital and interest made on a number of aid agreements dating from the
years 1958 to 1967. This refinancing was made available to the Government of India as the United Kingdom’s contribution towards a multilateral debt relief scheme sponsored by the Aid India Consortium which was designed to alleviate the burden of debt servicing on the Indian balance of payments arising from the terms on which past aid loans were given. The effect of the scheme is to release the equivalent amount of free foreign exchange which can then be applied to the purchase of essential imports, and it is considered to be one of the most useful ways in which donors can help the development of that country. The terms for the refinancing loan were those which the United Kingdom applied in 1974 to all its other official development financing to India, that is, interest-free with a maturity of 25 years and a seven-year grace period, giving a grant element of 77 per cent.

24. Under an interim debt relief scheme sponsored by the Aid Pakistan Consortium, the United Kingdom provided relief of $12m. (£5.13m.) on debt service payments falling due between 1 July 1973 and 30 June 1974. A nominal moratorium interest rate of 1 per cent was charged on these rescheduled aid loan repayments. The scheme was a short term relief operation designed to alleviate Pakistan’s current balance of payments difficulties. Bilateral negotiations are taking place with both Pakistan and Bangladesh designed to implement a long-term debt relief scheme agreed multilaterally. Under this scheme, relief will be provided by DAC donors to Pakistan with an overall grant element of 62 per cent, and to Bangladesh with an overall grant element of 84 per cent.

Procurement Policy

25. Whilst the extent of procurement in a donor country which may result from the tying practices of that country is not fully revealed by statistics of contractually tied aid, the proportion of United Kingdom bilateral aid fully tied to United Kingdom goods and services in 1974 was 47 per cent (leaving out of account the cost of technical assistance). In addition to the procurement from this fully tied aid, further procurement in the United Kingdom arises from the considerable amount of bilateral financial aid tied to United Kingdom or local goods and services, the proportions of which are not always laid down in advance in specific terms. The estimated percentage of further procurement in the United Kingdom which results from such aid was 10 per cent, giving an estimated total 57 per cent of bilateral aid effectively tied to United Kingdom procurement, without regard to any further procurement which may result from untied aid.

26. Although United Kingdom bilateral aid is normally tied to the purchase of British goods and services, the United Kingdom is ready, in the case of independent countries, to consider untying a limited part of its financial aid for meeting the local costs of projects in exceptional cases where this is judged appropriate; for the United Kingdom Dependencies, the circumstances may require a greater proportion of the aid to be devoted to local costs or to local procurement. Overall, therefore, the United Kingdom aid programme continues to provide a substantial amount of flexibility in the treatment of local costs. For a number of countries, particularly the Dependencies, the West Indian Associated States and independent countries in Southern Africa, waivers of procurement restrictions have been granted to allow procurement of specified categories of goods from third countries in the light of the particular circum-
stances which applied. To facilitate the administration and use of tied aid some foreign content, up to a maximum of 20 per cent, may be permitted. Budgetary aid, of which the United Kingdom provided $14m. (£6m) in 1974, by its nature cannot be tied formally to overseas procurement; however, the arrangements with the recipient countries are that offshore procurement supported by this budgetary aid will be from the United Kingdom, except where it would be clearly uneconomic to do so.

27. As an additional measure to help the poorest developing countries, the United Kingdom has decided to untie its future official development assistance loan commitments for procurement in developing countries with a per capita GNP of less than $200, if the recipient country wishes such an arrangement to be made. This measure, which will be available from the last quarter of 1975, should provide an opportunity for the poorest developing countries to increase their export earnings and to stimulate inter-developing country trade.

28. The United Kingdom continued to provide its financial contributions to multilateral institutions on procurement conditions in conformity with the understanding reached by all DAC member countries at the DAC High Level Meeting in October 1973, that is, free for procurement in those countries that are members or associate members of those institutions and—if developed countries—are recognised by the institutions concerned as significant contributors and who are similarly observing the DAC understanding in the institution concerned.

Aid Administration

29. The structure of the Ministry of Overseas Development (ODM) continued to be adapted to take account of changing needs:

(a) as forecast in last year’s report the new Disaster Unit was duly set up in June 1974 since when it has responded to emergencies in Bangladesh, Vietnam, Cyprus, Honduras, Somalia, Kenya, Pakistan, Mauritius, Mozambique, Rwanda and Lesotho;

(b) plans were made (and implemented in early 1975), to convert Aid Policy Department into a Development Co-ordination Department as a further step towards an integrated approach to development co-ordination; and also to set up a Rural Development Department to help plan a greater concentration of the United Kingdom’s aid programme on the relief of poverty especially in rural areas and to enable integrated rural development projects to be developed;

(c) there was a further concentration of the units arranging technical assistance in the field of education within the British Council;

(d) responsibility for consultation and, where appropriate, co-operation with Voluntary Agencies over the range of their activities was centralised in Social Affairs Department; and

(e) it was decided to strengthen Middle East Development Division to enable it to advise on problems arising from the increased needs for manpower, training and other forms of technical assistance expected in the countries with rapidly growing wealth from oil.
30. The trend towards more widespread public concern for the needs of developing countries, particularly noted in 1973, continued and increased in 1974. Newspapers, radio and television continued to give good coverage to disaster situations, with follow-up stories on the Sahelian and Ethiopian droughts. It was noted, however, that features on disasters (particularly those on television) were at last paying attention to the question of long term development. Several television and radio documentaries on Bangladesh devoted a substantial part of their examination of the causes of poverty and hunger to an analysis of why there was a need, not just for immediate disaster relief, but for overall development. Increased interest by the British media in development matters led during the year to good coverage of the policies of the European Economic Community (EEC) towards less developed countries. Population Year, culminating in the Bucharest meeting, was well reported. But it was the World Food Conference that really captured the attention of both press and broadcasting, as well as the voluntary organisations. There was very widespread coverage and analysis of the world food situation, which in turn led to attention being drawn to the problems of development.

31. The outcome of increased interest by the news media, and the campaigns on world hunger and food shortages mounted by the voluntary agencies, was a torrent of letters to MPs, Ministers and ODM, urging the Government to step up its aid effort, and asking for information about what was already being done. It was clear from the many letters received that there is a new degree of awareness among the public of the problems of the developing world. ODM is building on this to establish a concern for the need for long term commitment to development programmes. However, public education about development has still a long way to go. Parliamentary Questions by MPs about aid increased from 182 in 1973 to 224 in 1974 and it was clear that there was more critical interest in the subject on the part of Parliamentarians. The House of Commons Select Committee on Overseas Development having completed its enquiry into the impact of oil price rises on developing countries, and the implications thereof for British overseas development policy as mentioned in paragraph 4 of the United Kingdom's previous memorandum, is now undertaking an enquiry into "The Food Crisis and Third World Development: Implications for United Kingdom Policy".

32. While ODM publicity material was an invaluable source for organised groups, for schools, colleges and higher education, and for the casual enquirer, it was clear from ordinary public reaction that, first television, then radio and newspapers, are powerful elements in creating public understanding of the development problem, and public sympathy for the provision of aid. It has therefore been the increasing aim of ODM to cultivate interest in the development issue among those in the media who commission and select current affairs features.

33. ODM's information work in 1974 continued along similar lines to that of the previous year, but with slightly increased activity. During the year 230 general press releases covering all aspects of ODM's work were issued; as well as 210 others, addressed to particular news outlets, publicising appointments under the technical assistance programme. A new series of folders about
individual developing countries, describing the people, the economy, and how the country can be assisted by aid from outside, have been widely distributed. Distribution to teacher training colleges, educational authorities, and schools, continued at a high rate throughout the year. A second edition of an illustrated folder for schools (but which is also of value to the ordinary public) was produced and 40,000 copies distributed. The production of the ODM newspaper “Overseas Development” was improved during the year, and its circulation moved in excess of 10,000 copies an issue. The colour film commissioned by ODM on agriculture and general development, first shown in 1973, entered the Central Film Library, and Welsh and Scottish equivalents, in 1974 and was seen by well over 300 different audiences. Sets of 30 slides covering agriculture, health, education and industry in developing countries proved to be popular with lecturers and teachers throughout Britain.

Activities by the Voluntary Agencies

34. The aid constituency in the country continued to grow in strength during 1974. It was to be found in the universities, in the Churches, in the large voluntary fund-raising organisations, and in the many associations and groups in Britain concerned with hunger, poverty, general development, and with particular sectoral interests such as the environment and the general spread of international understanding. Of particular importance were the groups formed among students and other young people. The main fund-raising agencies have co-operated with the ODM in support of educational work through the Voluntary Committee on Overseas Aid and Development (VCOAD); this Committee also continued to serve as a Secretariat for the Standing Conference on the Second Development Decade, which is an association of some 70 organisations, representing almost every aspect of national, regional, and institutional life in Britain, who have undertaken to promote the study among their members of developmental and Third World issues.

Aid for Social Purposes

Population Policy

35. Following the adoption of the World Population Plan of Action (WPPA) by the World Population Conference at Bucharest in August 1974, to which the United Kingdom gave its full support, the United Kingdom population aid policy was reviewed and in consequence the United Kingdom contributions to the United Nations Fund for Population Activities are being increased from $2·3m. (£1m.) in 1974–75 to £4·2m. (£1·8) in 1975–76 and to the International Planned Parenthood Federation from $1·6m. (£700,000) in 1974–75 to $2·8m. (£1·2m.) in 1975–76. At the same time, United Kingdom Missions in developing countries were invited to consider whether there were any opportunities for making known the United Kingdom's desire to provide assistance, if necessary, over and above the level of aid already agreed, to help to secure a better understanding of the problems of population change and its relevance to economic and social development.

36. Following these initiatives and an earlier one in 1974, there has been a considerable increase of interest in United Kingdom aid for population matters by developing countries. There is little doubt that the events of World Population Year have played a major part in focusing attention on the vital importance
which population change has on development. The adoption by consensus of the WPPA at the Bucharest Conference has stimulated many governments into giving serious consideration to introducing measures called for in that document. The implications of providing all persons with the knowledge and means to enable them to control their own fertility are very far reaching, and certainly the cost is well beyond the means of many of the poorer countries. Nevertheless the aim of universal responsible parenthood, and the recognition of the right of all persons to be able to control their own fertility, are now accepted by the international community and the United Kingdom stands firmly behind its pledge that it will do all it can to assist with action programmes intended to achieve the implementation of the WPPA.

Technical Assistance

Appraisal, Review and Evaluation

37. The work reported in paragraph 41 of last year's report on improved appraisal and evaluation has now largely been embodied in a new chapter of the ODM's manual of procedure.

Recruitment of Operational Personnel and Advisers

38. During 1974 bilateral appointments made under the auspices of ODM to advisory and operational posts under various bilateral technical assistance arrangements totalled 2,197 (compared with 2,272 in 1973). This figure includes, for the Education Sector, 615 school teachers and 133 teacher trainers. The Council for Technical Education and Training for Overseas Countries (TETOC) made 89 operational appointments (75 in 1973), and the British Council 210 operational appointments (254 in 1973). In other sectors the Crown Agents for Oversea Governments and Administrations made, on behalf of ODM, 200 operational appointments (228 in 1973). Appointments to international organisations, including the United Nations, were 223 (206 in 1973).

39. A shortage of suitable candidates in some disciplines (including teacher trainers, fisheries staff, veterinary officers, foresters, agricultural economists, pasture experts and mining and electrical engineers) continues to cause some constraint on recruitment, particularly for operational posts. Continuing efforts are made to identify the reasons for these shortages and where possible remedies are being applied. One of the main reasons appears to be a fear of unemployment on return from service abroad; to meet this, consideration is being given to a possible expansion of the Home Base Scheme so that more appointments can be made “on secondment” from home institutions. The question of in-service and post-service training facilities for technical assistance personnel is also being re-examined as a recruitment incentive. Salaries and salary supplements are now reviewed annually and some fringe benefits, including medical benefits for supplemented staff and their families, have been improved.

The Future Supply of Operational Staff

40. ODM reviewed the schemes under which salary supplements and other benefits are paid to operational personnel employed by overseas governments and other institutions. It was agreed that supplementation schemes should continue to be available to overseas governments when the current agreements end on 31 March 1976. Manpower reviews are undertaken annually to ensure that expatriate manpower is provided on the basis of a country’s developmental
needs; more attention will in future be given to evaluating the success of these arrangements in relation to the joint objectives of the United Kingdom and of the recipient Government.

Volunteers

41. The Member Societies of the British Volunteer Programme, namely the Catholic Institute for International Relations (CIIR), International Voluntary Service (IVS), the United Nations Association (UNA) and Voluntary Service Overseas (VSO), continued to recruit volunteers for service overseas in response to requests from developing countries. Official government financial support totalling £2.2m. (£926,000) was provided, while the British Council acted as Overseas Arm for the administration of the programme in most countries.

42. The number of graduate and similarly qualified volunteers in post at 31 December 1974 was 1,215, compared with the 1973 figure of 1,631. The cadet programme, which now comprises mainly semi-qualified young people, had dwindled from 31 volunteers in 1973 to none by 31 December 1974 as the demand from developing countries is now almost exclusively for qualified personnel. The Societies are therefore not making any positive efforts to recruit unqualified volunteers.

43. About three-fifths of the volunteers are teachers while the rest are engaged mainly in nursing, agriculture, engineering and community development. Demand is continuing to increase for technical volunteers rather than for secondary school teachers (other than in the fields of English, mathematics, science, and vocational subjects) and also for older and more experienced personnel.

Training

44. The level of intake of new arrivals for training in the United Kingdom during 1974 under the various regional technical assistance training programmes was 3,800, as compared with 3,900 in 1973 and 3,300 in 1972. In addition an estimated 530 people came to the United Kingdom during 1974 for courses in teacher training and teacher administration under the Commonwealth Education Fellowship Scheme as compared with 524 in 1973 and 551 in 1972. The total number of people who received training in the United Kingdom financed bilaterally from public funds during 1974 was 14,700 as compared with 14,450 during 1973.

45. Consultations with overseas governments with the object of ensuring that requests for training in the United Kingdom are related as closely as possible to the overall manpower requirements of the countries concerned continue on an annual basis. With the object of monitoring the extent to which performance under the training programmes in the United Kingdom matches the intentions agreed in these discussions, steps are being taken on an experimental basis to accumulate data, country by country, identifying the Ministry or other employer of individual trainees.

Research and Development

46. With the general aim of attacking poverty and increasing agricultural production, the United Kingdom has continued to support an extensive pro-
gramme of scientific and technical research and development with the needs of the developing countries in view. Parts of this programme are entrusted to government establishments in the United Kingdom which receive long-term support from the ODM; other parts are contracted out to universities or other institutions. In either case the work may take place overseas, or in the United Kingdom, or partly in each: co-operative research in partnership with overseas institutions is particularly welcome and valuable.

47. Some of the scientific and technical investigations funded by the ODM are carried out at the request of particular countries on problems wholly or mainly specific to themselves. The cost of such investigations is normally met from the “country” programmes of technical assistance administered by the ODM. Other investigations concern problems which are global or regional in their scope or, if at present the concern of a single country, of clear potential relevance to other countries or regions. Investigations of this kind may stem from proposals from governments or institutions overseas or from sources such as the specialist staff of the ODM (who travel extensively overseas). Their cost is met not from “country” programmes but from a central allocation of research and development funds amounting to $11.8m. (£5.1m.) in 1974—an increase of $455,000 (£194,000) over 1973.

48. The ODM supports scientific and technical research and assistance in a number of other ways. Its contributions to the International Agricultural Research Centres (see paragraph 58 below) amounted to $2.2m. (£961,000) in 1974. The cost of ODM’s Special Units (which include the Tropical Products Institute, the Centre for Overseas Pest Research and the Land Resources Division) amounted to $3.8m. (£1.6m.) in 1974; a substantial portion of this sum was spent on research and development work, the rest being used for field operations, training of overseas personnel and the dissemination of scientific and technical information. Finally the ODM makes annual grants, which totalled $427,000 (£183,000) in 1974, to the Institute of Geographical Sciences, the Centre for Tropical Veterinary Medicine and the National Institute of Agricultural Engineering to support the programme of those bodies in, or on behalf of, the developing countries. A fuller account of the ODM’s research and development activities is contained in the Ministry’s “Report on Research and Development, 1974”; this report was the first in a new series; subsequent reports will follow annually.

49. Research connected with renewable natural resources continues to be a major field of effort. The research supported has substantial tropical agriculture and pest control components and also includes work under the following classifications: trypanosomiasis (a separate section), veterinary, fisheries and forestry. Project support in which the United Kingdom collaborates with overseas countries on particular research projects continues to be promoted. For example in Ghana a team of seven British scientists is carrying out research on breeding of cocoa varieties resistant to swollen shoot disease; in Mexico a team is engaged in research aimed at the development of shrimp fisheries in the coastal lagoons and a team of scientists is investigating animal virus and protozoal diseases at the East African Veterinary Research Organisation.

50. The ODM calls upon the help of many United Kingdom university departments and on the expertise of the research stations of the Agricultural
Research Council (ARC). The ODM has built and maintains a Tsetse Research Laboratory at the University of Bristol where colonies of flies are bred for fundamental research on the control of trypanosomiasis and research into the behavioural patterns of tsetse flies is carried out. Research is also carried out in the United Kingdom and overseas institutions with the flies supplied from this Laboratory. At Reading University research is being carried out in collaboration with the International Institute of Tropical Agriculture in Nigeria on the physiology of grain legumes.

51. Outside the research subhead, funds continued to be provided in 1974 to maintain a number of scientific and technical organisations specialising exclusively in the natural resources problems of developing countries. Of these, the Tropical Products Institute, the Centre for Overseas Pest Research and the Land Resources Division are all functional components of ODM.

52. The Tropical Products Institute (TPI) is concerned with post-harvest handling, processing, quality control and storage of the products of renewable natural resources, with local and overseas markets for them, and with industries based on them. Marketing and industrial feasibility studies on a wide range of tropical products have been reported, and investigations into the control of quality of fruits and vegetables have been continued. In line with the priority currently placed on assisting rural development the TPI has recently set up a Rural Food Technology Advisory Group to identify needs of rural areas in less developed countries for assistance in the field of food technology (post harvest) and to suggest ways of meeting these needs. A Renewable Fuels Section has recently been formed to look into the question of alternative fuel sources in the developing countries particularly at the rural village level.

53. The Centre for Overseas Pest Research (COPR) helps developing countries to solve pest problems in the fields of agriculture and public health. Investigation and research, including research into pesticides residues in tropical soils, and work on the development and application of modern techniques of pest control are undertaken. Other work includes anti-locust and termite research. The Centre also provides scientific information, advice and training.

54. The Land Resources Division (LRD) assesses land resources for developing countries for the development of agriculture, livestock and forestry in co-operation with the governments of the countries concerned. It also trains nationals from developing countries in the techniques of land resource appraisal.

55. The Centre for Tropical Veterinary Medicine (CTVM) conducts research in the United Kingdom and countries overseas into problems related to tropical veterinary medicine and animal health, and provides facilities for training United Kingdom and overseas post-graduate students in these fields.

56. At the National Institute of Agricultural Engineering (NIAE) an Overseas Department is maintained to provide a technical service on all matters connected with agricultural engineering overseas. In particular the department investigates low-cost labour intensive techniques, and designs and develops agricultural tools and equipment suitable for use in developing countries, especially implements of a relatively simple kind.
57. A subvention of $47,000 (£20,000) was given to the Commonwealth Forestry Institute in 1974 to support work in tropical forestry, particularly tropical silviculture.

58. Support for International Research Centres under the aegis of the Consultative Group for International Agricultural Research was continued for the International Rice Research Institute, the International Institute of Tropical Agriculture, the International Potato Centre and the International Centre for Agricultural Research in the Semi-arid Tropics; and in addition, ODM contributed to the programmes of the International Maize and Wheat Improvement Centre and the International Centre for Tropical Agriculture; and to funds to set up the International Livestock Centre for Africa, the International Laboratory for Research in Animal Diseases and the International Plant Genetic Resources Board. These commitments resulted in total payments of $2.2m. (£961,000) in 1974. Support for all these Centres is continuing in 1975.

59. The scientific and technical work funded by ODM in fields other than those of renewable natural resources is largely concerned with “infrastructure”—the physical pre-conditions for development such as adequate maps, water supplies and roads—and with human, social and economic problems—the fight against disease, the encouragement of industries and technologies appropriate to developing country conditions, and the expansion of employment.

60. Mapping is a basic necessity for all planning and national development programmes and the ODM has continued to assist overseas governments in this field through the medium of the Directorate of Overseas Surveys (a Special Unit of ODM). Comparable assistance in the equally important field of geological mapping and investigation is provided through the Overseas Division of the Institute of Geological Sciences.

61. The development of water resources overseas is an area to which the United Kingdom has been giving a high priority in view of its self-evident importance for agricultural production and community life. To this end an Overseas Division was set up in 1974 at the Institute of Hydrology with finance provided by ODM to enable the Institute to develop its existing field work on behalf of overseas countries. A post of Hydrogeological Adviser to the ODM was established at the Institute of Geological Sciences to complete ODM’s professional coverage of the scientific disciplines concerned with water resources. The Hydraulics Research Station, at which an Overseas Division was set up in 1973 with ODM support, has embarked on a research and development programme to help rural communities to make the most of the water resources; it includes such topics as the design of tubewells and minor irrigation systems and the use of small inflatable dams.

62. As with water resources, so in the field of road and building construction the ODM works through existing technical institutions of the United Kingdom Government—in this case the Transport and Road Research Laboratory and the Building Research Establishment. The general aim of work in these and other fields is to adapt existing technologies to the circumstances of countries which are tropical and under-developed, for example, by putting the emphasis on the labour-intensive rather than the labour-saving, and on the simple rather than the complex. Special emphasis is also given in the overseas programmes of these and other establishments supported by the ODM to projects of direct
relevance to the problems of poor communities, in particular in rural areas. The technical programmes of the Overseas Divisions of the Transport and Road Research Laboratory and the Building Research Establishment are thus increasingly concerned with specific problems of low-cost roads and low-cost building (especially housing).

63. The general aim of promoting technologies appropriate to developing country conditions runs through the programmes of all the scientific establishments financed by ODM. In addition ODM has commissioned a specific research project from Strathclyde University into the costs and benefits of using “intermediate technology” techniques in connection with various types of production and distribution processes in developing countries. ODM has also started to provide grant assistance for a four-year period to support the work of the Industrial Liaison Unit of the Intermediate Technology Development Group (a voluntary organisation with charitable status).

64. The United Kingdom’s long-standing support for tropical medical research has continued, with special reference to parasitic diseases and malnutrition. While much of the work funded relates to a deeper scientific understanding of particular conditions, increasing emphasis has been placed on the development of cheap and simple methods of treatment and on preventing disease by achieving higher standards of public health. The United Kingdom contributed $249,000 (£106,000) in 1974 to the international control programme in West Africa for onchocerciasis (river blindness) and has also made a special contribution of $87,700 (£37,500) to the WHO smallpox eradication campaign, which now appears to be well within sight of final success.

Technical Co-operation with Oil Rich States

65. The rise in oil prices in 1973–74, with its consequent vast increase in the scale and accelerated pace of the development programmes of the oil-rich countries, has led to a correspondingly large increase in their demands on the developed countries of the West for technical expertise of all kinds—both through the supply of skilled people and the provision of training. This demand is being met through a diversity of channels, both public and private, and the ODM’s role, though important, by no means attempts to cover the whole field. It seems likely that its role will largely develop not through the provision of technical assistance directly by ODM on reimbursement, but rather through the ODM facilitating or co-ordinating arrangements made by overseas governments directly with official or semi-official agencies in the United Kingdom which can help with staff supply and training. At the same time ODM, while contributing constructively in this way to the dialogue with the oil producers, has an obligation to ensure that technical assistance on payment should not pre-empt institutional and manpower resources which are required to help the needier developing countries.

Private Sector

Private Investment

66. The United Kingdom remains an investor on a large scale in the developing world. The contribution of private investment to the flow of resources
from the United Kingdom to developing countries over the last few years has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>$m</th>
<th>£m</th>
<th>%</th>
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<tbody>
<tr>
<td>1971</td>
<td>236</td>
<td>101</td>
<td>12</td>
</tr>
<tr>
<td>1972</td>
<td>278</td>
<td>119</td>
<td>9</td>
</tr>
<tr>
<td>1973</td>
<td>133</td>
<td>59</td>
<td>4</td>
</tr>
</tbody>
</table>

The estimates for individual years should be treated with considerable reserve in attempting to deduce trends; the various elements which make up the total figure for net private investment fluctuate considerably from year to year.

67. It is of course for developing countries to make their own arrangements for private investment, according to their own assessment of their needs and priorities. For this reason and as it can be argued that private investment should not be regarded as aid, ODM has terminated the Pre-Investment Studies Scheme, whereby financial support was given to feasibility studies by United Kingdom private investors in developing countries. However, if the government of a developing country asks for help with a particular study this is considered on its merits under normal technical assistance arrangements.

**Investment Protection**

68. The United Kingdom seeks wherever possible to conclude bilateral investment protection agreements with other countries for the reciprocal protection of investments. The United Kingdom believes that such agreements help to secure fair treatment of private investment overseas and agreements were negotiated with Singapore and Egypt in December 1974 and March 1975 respectively. Negotiations are continuing with a number of other countries.

**Investment Insurance**

69. The Exports Credits Guarantee Department (ECGD) continues to insure new investment from the United Kingdom against the non-commercial risks of war, expropriation and restrictions on remittances. By the end of 1974 ECGD had concluded 55 insurance agreements under the scheme relating to 27 projects in Africa, six in Central America, two in South America, 14 in the Far East, four in the Middle East, and one each in Europe and Oceania.

**Export Credits Guarantee Department**

70. The net amount of credit in excess of 180 days in length extended to the developing countries in 1974 was $355m. (£151.5m.), compared with a net total of $281m. (£114.6m) in 1973. The total net value of credit extended to all countries was $764m. (£326.4m.) in 1974; net credit to developing countries represents 46 per cent of this total.

71. The only significant change in ECGD facilities during the year was the introduction of a flexible interest scheme for business in excess of five years supported by ECGD financing. The rate for such business could be determined by ECGD in the light of the particular circumstances of each case between
a range of 6–8½ per cent per annum. Following international agreement later in the year this was replaced by a minimum rate of 7½ per cent per annum. The minimum rate for business between two and five years was 7 per cent and for business below two years remained at ½ per cent above the relevant bank’s base rate.

72. ECGD has also taken part during the year in negotiations between the member states of the EEC, Japan and the USA towards the concluding of a Gentlemen’s Agreement aimed at determining the maximum lengths of credit and minimum interest rates for different groups of markets.

73. Whilst there are not normally any direct consultations on debt servicing between ECGD and the authorities of the importing countries, ECGD controls the volume of United Kingdom private credit to developing countries by assessing the situation of the recipient country based, inter alia, on the overall amount of external debt to be serviced, and it is a standard ECGD requirement that any regulation of the recipient country (such as prior approval/registration of credits) must be complied with. ECGD may also stipulate that a guarantee of payment and/or sterling availability should be obtained from the Central Financing Authorities of the importing country to ensure that proper provision is made for payment of the contract; and in addition, projects worth over $4.7m. (£2m.) in a limited number of developing countries are assessed as to their viability and developmental value before ECGD cover is agreed. However, debt management is primarily the responsibility of the borrower.

Use of Consultants

74. British consultants continue through their work overseas, both commercially and under aid arrangements, to play an important part in helping to formulate development plans. In 1974 total technical assistance expenditure in respect of the services of consultants and other organisations in undertaking feasibility and other pre-investment investigations, and in the provision of other kinds of management, operational and advisory services, was $12.16m. (£5.2m.).

75. 104 new feasibility and pre-investment studies were commissioned during the year at an estimated total cost of $6.4m. (£2.6m.) compared with 91 new assignments in 1973 also with an estimated cost of $6.4m. (£2.6m.). In addition 43 projects other than for feasibility or pre-investment purposes were initiated totalling some $1.2m. (£500,000) compared with 45 projects valued at $2.9m. (£1.2m.) in the previous year. The principal fields covered were irrigation and water supplies, agriculture, mining, oil and minerals, transportation and roads, and power.

76. A project of particular interest, since it foreshadowed the current ODM emphasis on rural development, is the scheme in the Tigre Province of Ethiopia where extremely low rainfall is the primary constraint on agricultural development. Phase I, started in May 1974, identified problems and showed that the greatest potential for improvement was in rain-fed agriculture and, to a lesser extent, in irrigation. The programme for Phase II will concentrate on establishing two Rural Development Units with the aim of stabilising a deteriorating agricultural situation by initiating rehabilitation and long term agricultural development. The project is in line with the IBRD’s overall strategy for the area.
77. The United Kingdom has made important changes in its working relations with voluntary agencies.

78. The Disaster Unit established in ODM with the aim of improving its ability to respond quickly and effectively to disaster situations in developing countries is represented on the Disasters Emergency Committee, which brings together the main British voluntary agencies, and has worked closely with them, exchanging information on an informal basis about disaster or potential disaster situations and consulting about action to be taken. In a number of cases joint relief operations have been mounted: the Unit arranged and paid for a charter plane to send a consignment of Red Cross milk powder to Rwanda; it met the cost of transporting certain relief supplies sent by voluntary agencies to Cyprus; and it has worked very closely with the Disasters Emergency Committee over their programme of emergency assistance to Vietnam to which ODM made a contribution of $580,000 (£250,000).

79. Preparatory work was also completed on a scheme, which will come into effect in 1975 for part-funding of development projects undertaken overseas by voluntary agencies. Briefly, the scheme, which will be financed out of the aid programme, is intended to assist projects which are developmental and innovative, which involve local people and resources, and which aim to make life better for the poorest. Assistance will be given to projects varying in value between $7,000 (£3,000) and $117,000 (£50,000).

80. During the year the United Kingdom continued to help finance a rural development advisory team which a British agency is maintaining in Zaire. It also contributed to a number of family health and welfare programmes run by agencies overseas. Expenditure in all totalled about $304,000 (£130,000) from official funds. In addition, official funds supported the British Volunteer Programme which is run by voluntary agencies.

81. The agencies themselves, some 200 of them including church and missionary societies, provided approximately $61m. (£26m.) in grants for development work overseas in 1974. About 75 per cent of this money was provided by 19 agencies. Their funds were mainly spent on agriculture, health and nutrition and education projects in over 70 developing countries, though emergency relief continued to make demands on their resources.

Other Aspects of Co-operation Policy

Tariff Matters

82. The United Kingdom has continued to work for improvements to the General Preference Scheme (GSP) of the EEC with particular reference to agriculture sector and emphasis on the exports of those developing countries that are not covered by preferential arrangements. The EEC is committed to improve its GSP progressively, taking particular account of the interest of the poorest developing countries. The United Kingdom hopes that progress will be made in the multilateral trade negotiations with special measures in favour of developing countries in accordance with the 1973 Ministerial Declaration at Tokyo. The EEC Directive for these negotiations makes specific provision for developing countries, in particular the least developed among them.
Commodity Questions

83. The United Kingdom fully recognises the importance of commodity trade in the development co-operation context and the need to promote measures of stability.

84. At the Kingston Commonwealth Heads of Government Meeting in April/May 1975 the United Kingdom Prime Minister proposed the creation of a general agreement on commodities which would serve to complement the General Agreement on Tariffs and Trade (GATT) and would outline the following general commitments:

(a) the interdependence of producers and consumers and the desirability of conducting trade in commodities in accordance with equitable arrangements worked out in agreement between producers and consumers should be recognised;

(b) producer countries should undertake to maintain adequate and secure supplies to consumer countries;

(c) consumer countries for their part should undertake to improve access to markets for those items of primary production of interest to developing producers;

(d) the principle should be established that commodity prices should be equitable to consumers and remunerative to efficient producers and at a level which would encourage long-term equilibrium between production and consumption;

(e) in particular the need to expand the total production of essential foodstuffs should be recognised;

(f) the efficient development, production and marketing of commodities and the diversification and efficient processing of commodities in developing countries should be encouraged.

85. He also proposed a number of specific measures which might give practical effect to these principles, which were remitted, together with others, to a Commonwealth Working Party for further study. The OECD and the EEC are also studying this problem. The United Kingdom is also participating in the on-going work in international fora concerned with commodity trade—the GATT, the FAO and the UNCTAD. In so far as individual commodities are concerned, the United Kingdom will play its part in the negotiations for the new agreements in prospect for coffee, cocoa, tin and wheat. As a result of the completion of successor arrangements to the Commonwealth Sugar Agreement, developing Commonwealth Sugar Producers will receive continuing access to the EEC at a guaranteed price for up to 1.4 million tons of sugar per year.

Restructuring of Industry

86. The United Kingdom can accept adjustment assistance in the light of United Kingdom economic circumstances but is not in favour of it in anticipation of changes in production in developing countries. Industry in the United Kingdom makes its own adjustment decisions as part of a continuing process
of development and change which takes account of import penetration actually achieved by developing countries as well as a whole range of other factors. The Government takes steps to assist this process in the light of the United Kingdom's economic circumstances. There are generous depreciation allowances for tax purposes on a national level, and a generous system of regional incentives exists to encourage the development of new industries in the Assisted Areas to replace jobs lost in declining industries. Selective financial assistance can also be given throughout the country and is used to help particular sectors of industry on a national basis. The National Enterprise Board, which is to be set up under legislation currently before Parliament, will have the means to establish new industrial enterprises, to assist the development of existing enterprises, and to promote reorganisation within industry.

Developing Countries Import Opportunities Office (DCIOO)

87. DCIOO was established in December 1973 within the London Chamber of Commerce and Industry and is financed by ODM. It provides information and advice to help developing countries expand their exports to the United Kingdom and it handled nearly 2,000 enquiries in its first nine months of full operation up to December 1974. The Office works in close liaison with the ODM's Tropical Products Institute and has established good contact with the GATT/UNCTAD International Trade Centre in Geneva, which the United Kingdom supports through its Liaison Office, programmes of visits and training on behalf of developing countries.

Food Aid

88. The basic United Kingdom reserves about food aid as a developmental tool remain, specially in so far as disincentives to local production and limitation on recipient's choice are concerned. But it recognises that in the short term—for emergency and humanitarian reasons—it is often essential to help meet short-falls arising from natural and man-made disasters.

89. Against this background, the United Kingdom has supported a further one year renewal of the Food Aid Convention and continuation of the EEC's dairy products programmes and participated in a number of additional emergency actions:

(a) bilaterally in so far as Somalia was concerned;

(b) through the EEC's contributions to the United Nations Emergency Measures which were used by some countries for the purchase and/or transport of food;

(c) through its contribution to the World Food Programme.

These emergency actions have cost the United Kingdom in excess of $14m. (£6m.). In addition the United Kingdom spent $44m. (£19m.) in 1974 on national and EEC food aid programmes and in regular pledges to the World Food Programme.

90. Since there are likely to continue to be acute shortages of food in some parts of the world, the United Kingdom supported the call made at the World Food Conference for a substantial increase in food aid and has supported proposals brought forward within the EEC for a 25 per cent increase in spending
in 1975, involving increased tonnages of cereals and of dried skimmed milk. The long-term solution must lie in agricultural and rural development but the United Kingdom believes that increased food aid commitments will be required in parallel in the immediate future.

91. In distributing this food aid the United Kingdom believes that great care must be taken

(a) to ensure that it is distributed to those countries which need aid most, without entering into pluri-annual commitments on a country basis;

(b) to ensure that the commodities provided have the maximum nutritional effect and imply no health risks (of the kind presented by the uncontrolled distribution of dried skimmed milk that might be used as a baby food); and

(c) to ensure that local sales do not depress local production.

Largely as a result of United Kingdom pressure, the EEC has increasingly moved towards a more satisfactory distribution of its own food aid programmes with the result that 70 per cent now goes to the populous and poor countries of South Asia.

92. The United Kingdom has supported the World Food Programme since its inception. Pledges for the calendar biennium 1971–72 and 1973–74 were £3.6m. (£1.53m.) and £5.9m. (£2.5m.) respectively, and for the 1975–76 biennium a total of £19.6m. (£8.25m.) has been promised. In the United Kingdom’s view the free distribution of food aid in the manner practised by the World Food Programme offers the most successful way of using food aid for humanitarian and developmental purposes. The World Food Programme has gained considerable experience in the distribution of food aid and the United Kingdom strongly advocates greater use being made of this experience and organisation by more food aid being channelled through the Programme.

93. The total cost to the United Kingdom of food aid in 1974 was approximately £44m. (£19m.) of which £23.4m. (£10m.) was disbursed through the EEC channel on Community cereals and dairy products; £16.8m. (£7.2m.) was disbursed on the United Kingdom national actions contained within the Community programmes; and £3.6m. (£1.5m.) in multilateral aid, mainly to the World Food Programme.

II. AID ALLOCATIONS IN THE LIGHT OF CHANGING REQUIREMENTS

94. Changes in the pattern of geographical distribution of any donor’s aid programme are inevitably slow. Save in exceptional circumstances, sudden changes in the level of aid to particular recipients are inherently undesirable. The recipient reasonably expects stability of flows, and indeed any one donor would have difficulty in planning its own aid programme rationally if it could not depend on a certain stability in the pattern of flows from other donors.
In the case of the United Kingdom historic links are a major factor in determining the existing pattern of aid distribution. Commonwealth ties and particular responsibilities in certain areas manifestly shape its programme and will continue to be a major influence. Apart from political ties, considerations of efficiency alone would suggest that it is appropriate for donors, especially the major ones, to continue to be the dominant donors in relation to specific recipients.

95. The arguments against rapid change in the distribution of aid, and indeed the practical difficulties which stand in its way, make it all the more important that the opportunities at the margin for redeployment of aid resources should be used to move these in the right direction. It is widely acknowledged that the accidents of history have left world aid programmes very poorly distributed in relation to the poverty of the recipients. Typically the countries with less income per head receive less aid per head. The policy of the United Kingdom is to press through bilateral and multilateral action for this situation to be improved as rapidly as possible.

96. Accordingly, in modifying the direction of the United Kingdom aid programme the first major consideration is the level of aid receipts per capita from all sources in relation to the income level. Significant expected changes in relative income levels are also taken into account. Aid receipts from other donors are estimated on the basis of existing patterns together with any available information on likely changes. Flows from OPEC donors have now become a significant consideration to be allowed for. Difficulties in absorbing aid for useful purposes can be a factor reducing aid programmes to individual countries from otherwise desirable levels, though more generally it can be an argument for giving aid in the form of technical assistance rather than capital aid. Short or medium term improvement in the balance of payments position of a recipient, implying that aid will effectively be used to build up reserves, can also be a reason for diverting capital aid to equally poor alternative recipients, at least temporarily, while showing due regard to the need for stability in aid relationships. Good long run balance of payments prospects will normally be associated with good income prospects and will be taken into account under that heading. Similarly, weak balance of payments prospects in the longer run, including problems arising from debt obligations, are normally only taken into account through their impact on income prospects.

97. Short term adverse balance of payments prospects are normally disregarded as an influence on aid distribution. However, those most seriously affected by recent international economic trends were at least initially largely those very poor countries who were already identified as seriously under-aided. The short term difficulties only compounded their poor long term prospects. The United Kingdom accordingly supported the appeal of the United Nations Emergency Operation as a method of increasing concessional aid to the countries involved, these initially being in the main restricted to countries with under $200 p.c. income. United Kingdom contributions totalled $84m. (£36m.); some were channelled directly to MSA countries and some through multilateral organisations such as the World Food Programme, the UNEO Special Account itself, and the joint response of the EEC. Major beneficiaries were India and Bangladesh, but other countries to which commitments were made included Kenya, Tanzania and Sri Lanka, as well as countries of the Sahel.
98. With the passage of time, however, excessive concentration on short term balance of payments prospect carries with it the danger of failing to distinguish between the need for temporary balance of payments support and the need for long term concessional aid. Increasingly, therefore, attention must return to basic considerations of poverty in distributing aid funds. This is being done, for example, for the proposed Special Trust Fund, intended to provide immediate balance of payments support to under $200 p.c. countries, and also for the proposed subsidy of the interest chargeable to poorer countries on drawings under the IMF Oil Facility. The proposed IBRD “Third Window” of lending on intermediate terms would also aim to provide additional resources for the poorest countries. The United Kingdom supports these three proposals and is willing to contribute concessional funds for the facilities if substantial support is given by other donor countries.

99. More directly to emphasise the required direction for aid distribution, however, the United Kingdom feels the time has come for the adoption of an international target on aid distribution to parallel the existing targets for the volume and terms of oda. It has therefore proposed for discussion that each donor should aim to give a share of its bilateral oda to the poorest developing countries as a group which is not less than the share of those countries in the total population of all developing countries, that is, that they should receive not less than the average amount of bilateral oda per head. If the poorest countries are taken to be those with incomes under $200 p.c. this would imply a target of about 60 per cent for the share of bilateral oda to these countries. The general acceptance of such a target would serve to increase the share of bilateral aid going to these countries from such lower levels as now persist.

100. Finally, in addition to the emphasis which the United Kingdom believes should be given to the needs of the poorer countries, it is also desired that programmes should be orientated, as far as possible towards benefiting the poorest within these countries. This will lead to emphasis on rural areas because in many of these countries the majority of the poorest live on the land. Rural development is therefore a priority area for United Kingdom aid (see Section III).

Sahel

101. United Kingdom involvement in the Sahel has in the past been minimal, but the seriousness of the drought situation and the need for an international relief programme has led to the provision of a considerable volume of United Kingdom emergency assistance. In view of limited knowledge of the zone it was decided that it would be best to operate mainly through the FAO who are co-ordinating the flow of relief aid to the Sahel. Immediately the seriousness of the situation became apparent in 1973 a contribution of $0.70m. (£300,000) was made to the Sahel Trust Fund which had been set up by the FAO. In 1974 a further $1.17m. (£500,000) was provided to the Fund. The EEC also played a major part in providing emergency food and non-food aid to the Sahel in 1974 and the United Kingdom share of the cost of this initiative was over $8.19m. (£3.5m.). Under bilateral arrangements 10,000 tons of grain were provided to Mali in 1974 and 2,000 tons to The Gambia. Difficulty in getting the food aid to the areas of greatest need within the Sahel were considerable; to help overcome this problem ten lorries were airfreighted to Chad and another
ten lorries to Niger. In addition a ferry was provided to take lorries carrying food aid across the Senegal River into Mauritania.

III. PROMOTION OF FOOD PRODUCTION AND RURAL DEVELOPMENT POLICY CONCERNING INTEGRATED RURAL DEVELOPMENT

102. It is a central objective of United Kingdom aid policy to give a greater emphasis to rural development. Many developing countries have already devoted significant resources to development in the rural sector, and for many years donors, including the United Kingdom, have supported rural development projects. But the United Kingdom along with many other donors and international agencies, recognises that a greater and more sustained emphasis on stimulating rural development is now required if there is to be much improvement of the living standards and conditions of large rural populations in the developing world who exist at subsistence level and whose marginal situation is more starkly revealed at times of natural disaster. The United Kingdom’s purpose is to promote the development of the rural areas, where the majority of the poor of the Third World live, as a principal basis for effective economic growth, as the most effective means of ending starvation and malnutrition, and as a necessary means of increasing world food production.

103. The United Kingdom understands rural development to be the improvement of living conditions in rural areas through the increased productivity of agricultural and related enterprises and, if it is to benefit lower income groups, the equitable and fair distribution of the wealth so created as between individual consumption, investment, and communal social services.

104. The United Kingdom believes that at the centre of successful rural development is increased agricultural production. The creation of wealth from a wide range of rural activities is needed not only to give the rural population a surplus, but to provide the basis for sustained development by enabling farmers to continue to afford the inputs of new technology (for example, seeds, fertilisers, pesticides) and by supporting the social and other services which are an essential part of the full development of rural areas. Thus, in most environments first consideration will be given to annual crops, dairy projects and animal husbandry, or fisheries, which will go largely to feed the rural populations themselves. But assistance to marketing of food surpluses and to industrial and export crops must be associated with such food crop production and, under suitable conditions, can on its own be the basis for a rural development project.

105. The achievement of rural development requires a combination of infrastructure, inputs, institutions, and social services. These elements are articulated by each country according to its own social, economic, and political preferences, and it is recognised that each country, and often each region or district, will have its own particular needs for the facilities, services and inputs which can promote rural change. The United Kingdom takes integrated rural
development to refer to a balanced and co-ordinated approach which seeks to take into account the varied needs and circumstances of a particular region or district.

106. However, rural development is not a self-contained process, and there are numerous vital links between the development of each nation’s overall economy and that of the rural economy and population. Many activities significant for rural development are not physically located in the rural areas. In aiding the building of a fertiliser plant or financing improvements in the transport system, for example, the external donor is also clearly contributing to rural development.

107. In any given situation only some of the components of rural development will be suitable for external provision or support, and these can only be identified in consultation with the authorities responsible for directing an enterprise.

108. United Kingdom assistance to rural development can take differing forms and be directed to a variety of purposes. There can be a need for financial assistance or for technical assistance, or for a combination of both. The United Kingdom can become involved in a fully integrated area development, or simply in one particular element of a project, the rest of which might be within the capacity of the local government concerned, either with or without assistance by other aid agencies, with whom the United Kingdom is ready to collaborate.

109. The forms which United Kingdom assistance can take are illustrated by current projects:

(i) Regional resource studies in the Oriente region of Ecuador—$1.078m. (£461,000), and the Yemen Arab Republic—estimated cost over $2m. (£855,000). The latter study is being carried out in co-operation with the recipient Government by scientific units and associated bodies of ODM, with the help of outside consultants in specialist fields. Both studies will pay particular attention to social aspects.

(ii) Integrated rural development projects in South Darfur, Sudan—$1.963m. (£839,000)—and Tigre, Ethiopia $1.682m. (£719,000).

(iii) Dryland farming projects in Botswana, and Indore, India. The purpose of the latter, undertaken in co-operation with the Government of India, the State Government of Madhya Pradesh, Indore University and the United Kingdom Freedom From Hunger Campaign is to provide a package of agricultural techniques for the many small farmers in rain-fed areas who have not so far shared in the “Green Revolution”.

(iv) Under parallel financing arrangements with IBRD/IDA, a livestock development project in Kenya (United Kingdom contribution of $3.159m. (£1.4m.), and the Ashuganj Fertiliser Project in Bangladesh (United Kingdom contribution of $18.714m. (£8m.)).

110. The United Kingdom believes that special attention should be paid to the distributional aspects of rural development projects. Where possible, it will seek particularly to assist projects designed to benefit the poorer rural popula-
tion (small farmers, sub-marginal farmers and landless labourers), and safeguard and strengthen the role of women in rural development. Projects and programmes which aim to increase agricultural production will be designed in ways which minimise the displacement of labour and, where possible, create additional opportunities for productive employment.

111. The United Kingdom considers that whether it is helping to develop just one of the components of rural development, or by contrast is the main external contributor to an area scheme covering many different components, it will have increasingly to take into account the interrelationships existing between different aspects of development. It is clear, for example, that rural development plans must take account of their potential impact on population structure change, and conversely population and family planning programmes must be related to other programmes of rural development. Improved rural development will undoubtedly require more intensive and more protracted research, planning, and evaluation. The United Kingdom expects to make more use of preliminary studies or pilot programmes as a prelude to any more extended schemes, and is devoting attention to evolving a better appreciation of social factors at work in development in the rural situation.

112. The United Kingdom also considers that adequate local participation in rural projects from an early stage is a prerequisite of self-sustaining development. It considers that projects should include as many qualified local personnel as possible and that, where the use of expatriate staff is unavoidable, steps should be taken from the beginning to ensure that local personnel are trained to take over. In order to secure adequate co-operation between indigenous developing country staff and external personnel there may be a requirement for new forms of technical assistance designed especially to meet the requirement of continuity.

113. A number of factors will influence the scope and speed with which the United Kingdom can reorient the emphasis of its aid programme. The process of identifying, formulating and initiating new rural development projects is likely to take longer than most other forms of assistance, for a variety of reasons: the intrinsic complexity of rural situations, the desire to make more carefully planned and relevant contributions, and manpower constraints both in the United Kingdom and in recipient countries. In addition, the United Kingdom recognises that other bilateral donors and international aid agencies are simultaneously placing greater emphasis on the rural sector. In order not to slow down disbursements from the aid programme as a result of introducing a new emphasis on rural development, the implementation of the latter will have to be realistically related to achievable rates of expenditure.

114. As an external donor, the United Kingdom cannot, and does not, desire to impose its rural development policies on recipient countries in the developing world. However, in order to increase the emphasis on rural development projects in its aid effort, the United Kingdom is taking a more active role by making clear its desire and willingness to strengthen its contribution to rural development, and by seeking out new opportunities for projects both bilaterally and in co-operation with multilateral agencies. A growing consensus on priorities, such as Commonwealth Heads of Government considered was evident at the Commonwealth Ministerial Meeting on Food Production and Rural Development, is expected to assist with this process of reorientation.
115. The United Kingdom considers that the Commonwealth Ministerial Meeting on Food Production and Rural Development provided a valuable opportunity for Commonwealth Ministers to consider ways in which impetus could be given in a Commonwealth context to World Food Conference Resolutions for raising the level of food production and promoting rural development in developing countries. Ministers attending the Meeting took the view that problems of rural development and food production should be attacked in an integral manner and should be given the highest priority in all international and national efforts in future, and should be treated as an issue of vital concern in the allocation of resources, both financial and human, in the building up and strengthening of institutions, in the formulation of programmes and policies and in the flow of intra-Commonwealth aid. The United Kingdom considers that the consensus reached on the high priority to be given to rural development by individual governments and agencies was the most important and worthwhile outcome of the Meeting. The United Kingdom joined other Commonwealth countries in endorsing this view at the subsequent Heads of Government Meeting in Kingston, Jamaica.

116. A number of steps have already been taken to implement the new emphasis on rural development in the United Kingdom aid effort. The classification by economic sector of United Kingdom commitments and disbursements of bilateral financial aid and technical assistance, as presented in “British Aid Statistics”, while useful in many respects, does not give an accurate picture of assistance to rural development. For example, road projects are naturally classified as “transport and communications” though many of them are an essential ingredient of rural development. The same applies to some health and education projects. In the hope of providing a more comprehensive index of assistance to the rural areas, new classifications of expenditure are being developed based on identifying individual projects separately by both location and purpose. In spite of the considerable technical and conceptual problems of devising a reporting system which will facilitate the consistent collection of information over the whole programme, it is intended to introduce the new classification into the next issue of “British Aid Statistics”.

117. Within ODM, a Rural Development Department has been set up to co-operate with Geographical Departments, professional advisers and associated specialist units, to achieve a more positive promotion of rural development and to implement the new policy emphasis. The Department will also have a special concern with integrated development schemes. An interdisciplinary Steering Group on Rural Development, which brings together in a single forum the many sources of specialist advice and the operational geographical administrators, has been established:

(i) to consider and advise on functional guidelines and other policy directives on aid for rural development;

(ii) to stimulate and monitor progress towards greater involvement in rural development projects.

118. Country Policy Papers (which analyse all the factors which need to be taken into account to reach decisions on the composition of the United Kingdom aid programme to individual countries) are being reviewed to examine how
far future aid programmes to each individual country can reflect the emphasis on rural development.

119. Guidance on the identification of additional opportunities for rural development assistance has been prepared for Diplomatic Missions and Development Divisions overseas, all of which have an important part to play in implementing this policy.

120. The United Kingdom has also been discussing with international agencies, including the IBRD/IDA, possible opportunities for increased collaboration in rural development projects. At the same time it has made clear that it is ready to support and play its part in other international initiatives which seem likely to serve a useful purpose in providing additional funds for rural development, in co-ordinating activities of various donors in this field and in ensuring a more effective use of available resources.

Policy regarding Aid to Agriculture

121. In general, the aim of the United Kingdom's aid in the agricultural sector, including fisheries and forestry, is to assist developing countries to improve the quantity and quality of production of both food and cash earning commodities. The United Kingdom recognises that the food problem in developing countries is one for grave concern, and that the improvement of the situation depends mainly on increased production in those countries. The need for more assistance is certainly acknowledged but it is essential that this be accompanied by a real commitment by the governments of developing countries to a programme of increased food production through agricultural development. Food aid is not a desirable alternative to this, nor to better protection against crop losses in the field and in store, production planning and more equitable systems of food distribution. It would also greatly enhance world food security if stockholding to cushion harvest fluctuations were more widely dispersed, and the developing countries themselves were encouraged and assisted to produce in good years in excess of their current national consumption, and to conserve and hold at least modest stocks against emergencies.

122. The United Kingdom's policies and programmes for developing countries, with particular emphasis on the least developed, are increasingly tending to concentrate on the problem of bringing small farmers into the system of development. Incentives must be provided to the farmer to surpass the target of feeding himself and his family, and so make a contribution to the food needs of others and perhaps to the agricultural export earnings of his nation. Furthermore action for small farmers requires a specially adapted system of organisation and an institutional pattern which involves a wide range of essential activities such as modification of land tenure practices, provision of credit under systems suitable for small farmers, extension systems devised expressly for small farmers, marketing organisations specifically designed; and an end to share cropping systems where there are no fair returns to the farmers on what they put into the land. Every country has its own unique balance of physical, economic, social and political factors. Hence it is unwise to generalise about solutions.

Agriculture

123. The United Kingdom has long paid special attention to agricultural development and has encouraged developing countries to give adequate
emphasis in their development programme to the agricultural sector. For this purpose the ODM has well qualified professional staff both in Britain and overseas. Attempts are now being made to intensify the United Kingdom's bilateral concentration on development aid for food and agriculture. Support is given for similar movements in multilateral aid.

124. In the end successful development in the agricultural field depends very much on the formulation of firm and realistic policies by the developing countries and the level of aid must to a large extent be determined by these policies and by the requests received from those countries.

Agricultural Research

125. Bilateral assistance for agricultural research is concentrated on specific problem-solving projects which cover most of the scientific disciplines. Those projects (about 60) whose results can be applied regionally or even globally are funded from one Research and Development Subhead, while those (about 50) which are aimed at a narrower national problem are supported from "country" programmes. More than half of this aid is concerned with food production and the remainder goes to export crops to improve foreign exchange earnings of the ldc's. The main food crops studied are staple diet foods, such as sorghum, millet, maize, potato, cassava, pigeon pea, cowpea, etc; various problems associated with grasslands and animal production are also examined. Such work is widely scattered overseas and covers projects in Southern, East and West Africa, Caribbean, Pacific, Asia and Latin America. Results from this research are disseminated in several ways: special reports are produced for recipient governments to aid planners and administrators, close liaison is set up with local extension and advisory services and, if required, the scientific results are translated into extension literature. Every research project usually has at least one paper published in a scientific journal and full use is made of the Commonwealth Agricultural Bureaux publication service. The ODM from other funds may support developmental projects which apply the results of its research work. Support by the United Kingdom for International Centres under the aegis of the Consultative Group on International Agricultural Research is described at paragraph 58 above.

Agricultural Inputs

Volume of United Kingdom Assistance

126. United Kingdom bilateral assistance to agricultural development in 1974 amounted to $18.4m. (£7.9m.) or 2 per cent of the gross official aid. Assistance to "agriculture and livestock" amounted to $13.8m. (£5.9m.); to forestry $433,000 (£185,000); to fishing $383,000 (£164,000) and to "other agriculture" $3.8m. (£1.6m.).

Fertilisers

127. The present world shortage of fertilisers is a serious constraint to agricultural development, and in the short term there is no simple solution to this shortfall in world production.
128. The basic problem, shortage of supply, applies as much to the United Kingdom as to the developing countries. The United Kingdom is a net importer of fertilisers, and the British industry could have difficulty in meeting domestic demands over the next year or two. The United Kingdom is not therefore well placed to help developing countries by the provision of fertilisers through the aid programme. Nevertheless the United Kingdom has provided 25,000 tons of fertiliser compound through the new FAO/International Fertiliser Supply Scheme and is considering what more can be done. Recently an additional 10,000 tons were made available to Bangladesh under bilateral aid, and India has bought over 146,000 tons with British aid at a cost of over $37m. (£16m.). The United Kingdom will continue to make every effort both to utilise its fertiliser capacity to the full and to assist the developing countries, and particularly those most seriously affected by rising prices, to meet their needs.

129. Where possible the United Kingdom thinks it better policy to respond to requests for technical assistance to help in the medium term to increase the utilisation of existing plants in the least developed countries as well as to requests for provision of capital aid for the establishment of additional fertiliser production capacity. Since 1971 the United Kingdom has committed $58m. (£25m.) to help build three fertiliser plants in India, one of which is in production and the other two should be coming on stream this year. $16m. (£6.7m.) have been committed for a similar project in Turkey, $19m. (£8m.) for one in Bangladesh and a further project for India will be considered shortly. The United Kingdom is also able to provide technical assistance in the geological field to locate indigenous deposits of raw materials (this is being done in Pakistan) and to assist with investigations into low energy inputs into farming systems.

Pesticides

130. Pesticide production has also been affected by a tight world supply situation for raw materials. As an importer of these raw materials the United Kingdom is affected. No pesticide aid is provided at present but any such aid would in any event have to be in place of, and not additional to, other aid. The United Kingdom, however, exports a substantial amount of its total output of pesticides and has a good record in research, extension and training on national and overseas protection measures in the aid field through the Centre for Overseas Pest Research.

Crop Protection

131. In many countries the overall food losses from pests now amounts to some 30 per cent and immediate savings of up to 10 per cent can be expected from simple schemes for pesticide application, suitable for the small farmer. The United Kingdom is well qualified to provide the necessary training and technical assistance through its Centre for Overseas Pest Research and its Tropical Products Institute.

Seeds and Root Crops

132. The United Kingdom is assisting in the promotion of the seed industry in developing countries by the training of technical personnel in the technology
of seed production and is also assisting in the improvement of root and other
vegetatively propagated crops under its technical assistance programme.

Other

133. The United Kingdom also assists in many other areas including disease
and weed control, mechanisation, soil water conservation—reclamation and
the livestock industry.

Ministry of Overseas Development,
London, SW1 E 5 DH
HER MAJESTY'S STATIONERY OFFICE

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CABINET

COMPLETION OF THE 1974/5 LEGISLATIVE PROGRAMME

Memorandum by the Lord President of the Council and the Lord Privy Seal

GENERAL POSITION

1. Last October we embarked upon a very ambitious legislative programme and by the Summer Recess 57 Bills had been placed upon the Statute Book. This is a substantial achievement. The remaining Bills which we must get to Royal Assent by the end of the Session, however, include several which are of paramount political or economic importance. This memorandum outlines where matters now stand.

2. The meeting between Government and Opposition Whips in both Houses, mentioned at our discussion on 29 July (CC(75) 38th Conclusions, Minute 1), had the following satisfactory outcome:

   a. The Opposition agreed that the Lords would sit alone for the week beginning 22 September.

   b. The Opposition in the Lords undertook to do their best to ensure that the remaining stages in the House of Lords of outstanding Bills, including Community Land, were completed in time for the Session to end on 7 November.

   c. The Chief Whip in return entered into a personal understanding (which colleagues will wish to note) that, provided the new Session started on 12 November, no major Government Bills would be introduced next Session after Easter unless in an emergency or by agreement.

3. The House of Lords have a great deal of business to complete, but we believe that the official Opposition in the Lords will do their best to keep their side of this bargain, and that it provides a reasonable assurance, though not a guarantee, that those outstanding Bills which we are determined to pass this Session will be through by 7 November. Problems may, nevertheless, arise in completing the Session's legislative programme, and these are summarised below.
DISAGREEMENTS BETWEEN LORDS AND COMMONS

4. On a number of our major Bills disagreements between the two Houses have arisen, or may arise, which could prove difficult to resolve. Some of the potential differences concern issues where there is no scope for compromise and there could be no question of the Government's giving way. The three Bills on which the risk of such clashes is greatest are:

a. The Trade Union and Labour Relations (Amendment) Bill. Lord Goodman will probably seek to insist on his version of the Lords amendments, making the proposed charter on the Press legally enforceable. This view is likely to attract majority support in the Lords but will remain unacceptable to the Government. The issue may of course be affected by the outcome of the National Union of Journalists ballot which should be known early next month.

b. The Housing Finance (Special Provisions) Bill. It is possible that, despite the acceptance by the Commons of the removal of Clause 4, there will be a majority in the Lords for retaining the unacceptable amendments enabling the courts to disqualify and to impose a financial penalty on councillors responsible for a surchargeable loss, and removing the option to charge lost rent income to the rates.

c. Community Land Bill. Amendments to be brought forward at Report Stage in the Commons should go a long way to meet some of the Opposition's major criticisms of the Bill. But the Opposition have committed themselves publicly to an all-out attack on this Bill, and may decide to pursue damaging - perhaps wrecking - amendments in the Lords with a view to frustrating its passage this Session.

It is also possible, but less likely, that similar problems will arise on the Industry Bill, and the Petroleum and Submarine Pipelines Bill. There is not thought to be a serious risk of this kind on the Employment Protection Bill, or the Scottish and Welsh Development Agency Bills.

5. There is a reasonable chance that in the event the Lords will draw back from any direct confrontation with the elected House over the fulfilment of our election pledges. But the Lords are not a body whose actions can readily be predicted, or controlled. The agreement with the Opposition relates only to the completion of the remaining Lords stages of the outstanding Bills, not to the form in which the Lords pass these Bills. We cannot exclude the possibility that the Lords will insist on unacceptable amendments to one or more Bills, and that we will then have to decide in each case whether to reintroduce the Bill next Session and to use the Parliament Act so as to pass it in a form acceptable to the Government, or to accept the Bill this Session in the form in which it is passed by the Lords and to introduce an amending Bill next Session to put right the damage.
THE COMMUNITY LAND BILL

6. There is a special problem on this Bill, which is expected to leave the Commons on 14 October. Committee Stage in the Lords cannot start before 21 October and should finish early in the week beginning 27 October, leaving less than two weeks for Report and Third Reading in the Lords, Commons consideration of Lords amendments, and the resolution of any differences between the two Houses. The Opposition will do their best to keep to this very tight timetable, though the number of backbench amendments and the length and number of backbench speeches might stretch out the Committee Stage. If, however, the Opposition seek to persist in making unacceptable amendments, the possibility of using - or threatening to use - the Parliament Act next Session will depend on when the present Session ends. The Parliament Act does not apply to a Bill which has not been sent up to the Lords at least a month before the end of the Session. Thus, keeping open the option of using the Act on this Bill would mean extending the present Session by at least a week beyond 7 November, which would cut into the time available for next Session's programme.

Privy Council Office

22 September 1975
1. The Home Affairs Committee agreed at their meeting on 2 July that a Royal Commission should be appointed to carry out a wide-ranging inquiry into the existing laws of gambling and the practice thereunder: the proposed terms of reference are at Annex. The Committee also agreed that the Commission should be asked to submit an interim report on the idea of a levy on the football pools, since particularly strong pressures are being exerted for such a levy.

2. The Prime Minister subsequently asked me to consider whether the proposed inquiry might better be conducted by a Select Committee, on the grounds that the financial problems affecting sport were too urgent to be effectively handled within the wider context of an inquiry into gambling and that to set up a Select Committee would politically be desirable.

3. I do not wish to minimise the benefits which sport (and also charities, and the arts) may be able to derive from gambling profits, but this is only one aspect of a larger subject with much wider economic and social ramifications and in my view should not be allowed to determine the whole nature of the inquiry. The many different manifestations of gambling, the constant danger of criminality or fraud which surrounds it, the complexity of the law and the close interrelation between the social and economic factors require comprehensive examination by a body commanding a wider range of experience and specialised knowledge than a Select Committee could be expected to provide. From experience of the many strong and competing lobbies in this field, all well represented in the House and liable to be reflected in the composition of a Select Committee, I could feel no confidence that it would provide a sufficiently judicious forum for an inquiry of the kind required. I therefore believe that the wisest course is to follow precedent by the appointment of a Royal Commission.
4. In the recent exchange of minutes about this question the comments I have received from my colleagues have supported the appointment of a Royal Commission.

5. I now seek the endorsement of the Cabinet to the appointment of a Royal Commission to conduct this inquiry under the annexed terms of reference.

R H J

Home Office

22 September 1975
ANNEX

PROPOSED TERMS OF REFERENCE OF ROYAL COMMISSION ON GAMBLING

"To inquire into the existing law, and practice thereunder, relating to betting, gaming, lotteries and prize competitions, with particular reference to:

(a) the adequacy of the restrictions imposed on the provision of facilities for the different forms of gambling, the consistency of the principles applied, and whether there is need for greater uniformity of control;

(b) the financial structure of the gambling industry and the interrelation of their gambling interests with other interests;

(c) the publication of information about gambling activities, the methods of selecting winners or fixing odds, and the appropriation of receipts;

(d) the contribution made from the proceeds from gambling towards the support of other social activities (including sport) and the means by which this might be enhanced."
CABINET

NATIONAL HEALTH SERVICE DENTAL AND OPTICAL CHARGES TO PATIENTS

Memorandum by the Secretary of State for Social Services

1. Following the Cabinet decision of 12 September 1974 not to increase dental charges when the dentists' fees were increased last year, dental and optical charges have remained frozen but public expenditure provision has been based on the assumption that the yield of charges would produce the same proportion of total costs of the services concerned. I warned my colleagues when the health service allocation of public expenditure for 1976-77 was cut by £62½ million in the Chancellor's last Budget that it would be impossible to accommodate the consequent shortfall in revenue if charges remained frozen. For Great Britain this shortfall would be about £14 million in 1976-77 for increases already made or about to be made in remuneration of dentists and opticians and a further sum of about £4½ million for the order of increases likely in 1976. So despite the Party's long-standing objection to such charges and our desire to abolish them I have no alternative but to propose to increase patients' charges to meet the £14 million and to make a contribution towards those further increases in the cost of supplying glasses which may be expected within the next six months.

INCREASED COSTS

2. Dentists normally have a new scale of fees from 1 October each year reflecting the recommendation on net remuneration by the Doctors and Dentists Review Body and the calculation of expenses for the year by the Dental Rates Study Group. The increases we are about to implement through the scale of fees are about 24 per cent towards which payments on account have been made covering the period from 1 April. Since charges were frozen last year, the payments to opticians for dispensing glasses (cost of lenses and frames plus dispensing fee) have increased on average by about the same percentage and further substantial increases are expected within the next six months.
GENERAL PROPOSALS

3. In these circumstances where we shall be obliged to increase revenue from charges, I have had to look not only for the fairest and least painful way of doing so but also for one which least offends against the principles for which we stand. Until 1971 a system of flat-rate charges had operated. In 1971 the Conservative Government introduced a cost-related system under which the patient paid 50 per cent of the fee paid to dentists, subject to an overall maximum of £10, and approximately 100 per cent of the cost of supplying lenses subject to a maximum of £3.50 per lens. Strong and particular objection was made by the Party to this system, and I therefore propose to revert broadly to the kind of flat-rate system which we operated during the 1964-70 Administration; although at an increased level of charges in most cases.

DENTAL CHARGES

4. Under the system now proposed, patients will pay £3.50 for a course of treatment (or the actual cost if less), except where dentures are provided when the charge would vary up to a maximum of £12. Whilst patients who need extensive treatment will pay less, most, including those who attend regularly and require modest amounts of treatment, will be faced with significantly higher charges within the maximum of £3.50. The first example in Annex A shows that the cost of a relatively simple course of treatment will rise from a "frozen" £1.24 to the maximum of £3.50; by any standards a very substantial increase. At the other extreme those requiring the most expensive treatment will pay £6.50 less than at present or under a cost-related system which had a maximum of £10. Those at present supplied with full dentures for £10 will pay £12. The categories of patients already exempt from charges will of course continue but, as in paragraph 10 I propose a more generous "tolerance" level.

OPTICAL CHARGES

5. The present charges for National Health Service (NHS) spectacle frames, as inherited from the previous Government, range from £0.82 to £1.93 according to type. I propose to increase the charges for frames so that they will again - as under previous Labour Governments - correspond with their cost as reimbursed to opticians; at prices operative from 1 October the charges would become £1.08 rising to £2.58 and would be adjusted automatically with subsequent increases in the reimbursement prices of frames as agreed by my Department. The increase in charge for the most popular NHS frame - which is also the cheapest - would be 26p or 32 per cent. For those patients who require half-eye glasses and prefer a "gold-filled" frame, the increase would be as much as £1.12, i.e. from £1.46 to £2.58.
For NHS spectacle lenses, the present charges range from £1.20 to £3.50 per lens, according to type (single vision or bifocal) and power—thus bearing most heavily on those who need glasses most. We opposed this method in 1971 and have done so ever since. To maintain this kind of system and raise the revenue required would involve very heavy charges for those who needed the strongest or most complex corrections. I have concluded that it would be fairer to have flat-rate charges for each main type of lens, without regard to power, as under previous Labour Governments. The necessary revenue could be raised by charges of £2.25 per single-vision lens and £4.25 or £5.00 per bifocal lens, the higher charge applying to "solid" glass or plastic bifocals, which are more expensive to make. With charges on this basis a small proportion of spectacle wearers will have less to pay for their lenses than at present, but most of those who wear single-vision lenses will have to pay about £2 a pair extra, and most bifocal wearers will have to pay £3 to £4 a pair extra. Examples of the increases are given in Annex B.

As a further means of helping those who have particularly bad sight—and as a step in the direction of the eventual removal of charges to which we are committed—I would propose to abolish charges for glasses for the registered blind and the registered partially sighted. I estimate that this would cost roughly £250,000 per annum.

We should like to announce that we are opening negotiations with the optical trade and profession to try to provide more attractive frames for adults under NHS arrangements. At present many people, even the poorest, prefer to buy expensive private frames with their NHS lenses. Negotiations would take time and, if successful, the charge for the new NHS frames would cover the full cost. There will be some additional cost—unquantifiable at this stage and not taken into account in the assessment of the net saving—when persons who are exempt from the payment of charges choose the more attractive NHS frames unless the charge to others is fixed at a higher level to cover this.

We also propose to help the children, by providing the much lighter plastic lenses as an alternative to glass for those whose sight needs a powerful correction, and by providing without charge contact lenses for those few who have a clinical need for them, and the all-plastics frame (as an alternative to the one with nickel curl sides) for those who prefer it. There has been strong pressure for this last-mentioned improvement, on aesthetic and psychological grounds. We propose to pay for these improvements by disallowing the supply of NHS spectacle cases with new private frames and by requiring the patient to pay any extra cost of lenses which is required in order to enable them to fit such frames.
6. For NHS spectacle lenses, the present charges range from £1.20 to £3.50 per lens, according to type (single vision or bifocal) and power — thus bearing most heavily on those who need glasses most. We opposed this method in 1971 and have done so ever since. To maintain this kind of system and raise the revenue required would involve very heavy charges for those who needed the strongest or most complex corrections. I have concluded that it would be fairer to have flat-rate charges for each main type of lens, without regard to power, as under previous Labour Governments. The necessary revenue could be raised by charges of £2.25 per single-vision lens and £4.25 or £5.00 per bifocal lens, the higher charge applying to "solid" glass or plastic bifocals, which are more expensive to make. With charges on this basis a small proportion of spectacle wearers will have less to pay for their lenses than at present, but most of those who wear single-vision lenses will have to pay about £2 a pair extra, and most bifocal wearers will have to pay £3 to £4 a pair extra. Examples of the increases are given in Annex B.

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9. We also propose to help the children, by providing the much lighter plastic lenses as an alternative to glass for those whose sight needs a powerful correction, and by providing without charge contact lenses for those few who have a clinical need for them, and the all-plastics frame (as an alternative to the one with nickel curl sides) for those who prefer it. There has been strong pressure for this last-mentioned improvement, on aesthetic and psychological grounds. We propose to pay for these improvements by disallowing the supply of NHS spectacle cases with new private frames and by requiring the patient to pay any extra cost of lenses which is required in order to enable them to fit such frames.
EXEMPTION FROM CHARGES

10. Many patients, e.g., those on a low income, children and young people are exempt from charges. I propose to raise the "tolerance" (the margin above the supplementary benefit level taken into account in assessing income for exemption purposes) from £1.50 to £2.50 a week. This, taken together with the forthcoming general improvements in supplementary benefits, will provide relief for more patients.

REVIEW OF CHARGES

11. It will be necessary to review charges each year in order to maintain their yield at the proportion borne to the total cost of the service at the time the charges were frozen in October 1974. These proportions are 18 per cent for dental charges and 54 per cent for optical (omitting from the cost the payment for sight tests which are free of cost to the patient). Amending regulations will be required for each annual change.

TIMING

12. I propose to lay the necessary Regulations (which are subject to negative resolution) in week beginning 6 October so that they are before Parliament when it resumes on 13 October; and to bring them into operation on 1 November.

FINANCIAL AND STAFFING EFFECTS

13. The proposals are estimated to increase NHS revenue by £16 million net (Great Britain) in a full year. There are only minor staffing implications.

SUMMARY

14. I seek agreement to increase patients' dental and optical charges (as in paragraphs 4 to 12) from 1 November. My colleagues in Scotland and Wales agree with these proposals.

B A C

Department of Health and Social Security

22 September 1975
EXAMPLES OF COURSES OF DENTAL TREATMENT ATTRACTING CHARGES

a. at the present "frozen" level (being 50 per cent of the 1973/74 dental fees);
b. with the proposed £3.50 flat rate maximum and a £12 maximum for dentures;
c. at the "unfrozen" level (being 50 per cent of 1975/76 dental fees).

<table>
<thead>
<tr>
<th>New 1975 fee scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>A. Check up*</td>
</tr>
<tr>
<td>2 X-rays</td>
</tr>
<tr>
<td>2 simple fillings</td>
</tr>
<tr>
<td>Total Cost</td>
</tr>
<tr>
<td>Charge to the patient</td>
</tr>
<tr>
<td>a. &quot;frozen&quot;</td>
</tr>
<tr>
<td>b. £3.50 flat rate</td>
</tr>
<tr>
<td>c. &quot;unfrozen&quot;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>B. Check up*</td>
</tr>
<tr>
<td>2 X-rays</td>
</tr>
<tr>
<td>2 simple fillings</td>
</tr>
<tr>
<td>3 extractions (separate quadrants)</td>
</tr>
<tr>
<td>Total Cost</td>
</tr>
<tr>
<td>Charge to patient</td>
</tr>
<tr>
<td>a. &quot;frozen&quot;</td>
</tr>
<tr>
<td>b. £3.50 flat rate</td>
</tr>
<tr>
<td>c. &quot;unfrozen&quot;</td>
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</table>

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<tbody>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>C. Check up*</td>
</tr>
<tr>
<td>2 X-rays</td>
</tr>
<tr>
<td>1 filling (complicated)</td>
</tr>
<tr>
<td>1 crown (porcelain)</td>
</tr>
<tr>
<td>Total Cost</td>
</tr>
<tr>
<td>Charge to patient</td>
</tr>
<tr>
<td>a. &quot;frozen&quot;</td>
</tr>
<tr>
<td>b. £3.50 flat rate</td>
</tr>
<tr>
<td>c. &quot;unfrozen&quot;</td>
</tr>
</tbody>
</table>

*There is no charge to the patient for a check up
### D. Check up*

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 extractions (separate quadrants)</td>
<td>£1.25</td>
</tr>
<tr>
<td>Full denture (upper and lower)</td>
<td>£3.40</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>£27.00</td>
</tr>
</tbody>
</table>

Charge to patient:
- a) "frozen"                                    | £9.50 |
- b) £3.50 flat rate and denture charge          | £12.00 (being the proposed maximum charge where dentures are provided) |
- c) "unfrozen"                                   | £10.00 (being the current maximum charge) |

### E. Check up*

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 extractions (in four quadrants)</td>
<td>£1.25</td>
</tr>
<tr>
<td>General anaesthetic (special difficulties)</td>
<td>£3.60</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>£11.50</td>
</tr>
</tbody>
</table>

Charge to patient:
- a) "frozen"                                    | £3.95 |
- b) £3.50 flat rate                             | £3.50 |
- c) "unfrozen"                                   | £7.55 |

*There is no charge to the patient for a check up
### EXAMPLES OF CHARGES FOR GLASSES

**First example:** A pair of the simplest and cheapest single-vision lenses in the cheapest NHS frame that takes such lenses:

<table>
<thead>
<tr>
<th>Present Cost</th>
<th>Present Charges</th>
<th>Proposed Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frame</td>
<td>1.08</td>
<td>0.82</td>
</tr>
<tr>
<td>2 lenses</td>
<td>1.34</td>
<td>2.40</td>
</tr>
<tr>
<td>Dispensing fee</td>
<td>3.15</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>5.57</td>
<td>3.22</td>
</tr>
</tbody>
</table>

**Second example:** A pair of the most expensive (cemented convex lenticular) single-vision lenses in the most expensive NHS frame that takes such lenses:

<table>
<thead>
<tr>
<th>Present Cost</th>
<th>Present Charges</th>
<th>Proposed Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frame</td>
<td>2.54</td>
<td>1.48</td>
</tr>
<tr>
<td>2 lenses</td>
<td>12.64 or more</td>
<td>6.20</td>
</tr>
<tr>
<td>Dispensing fee</td>
<td>3.15</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>16.33 or more</td>
<td>7.68</td>
</tr>
</tbody>
</table>

**Third example:** A pair of the simplest and cheapest bifocal lenses in the cheapest NHS frame that takes such lenses:

<table>
<thead>
<tr>
<th>Present Cost</th>
<th>Present Charges</th>
<th>Proposed Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frame</td>
<td>1.08</td>
<td>0.82</td>
</tr>
<tr>
<td>2 lenses</td>
<td>4.68</td>
<td>4.90</td>
</tr>
<tr>
<td>Dispensing fee</td>
<td>4.05</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9.81</td>
<td>5.72</td>
</tr>
</tbody>
</table>

**Fourth example:** A pair of the most expensive (prism-segment solid glass) bifocal lenses in the most expensive NHS frame that takes such lenses:

<table>
<thead>
<tr>
<th>Present Cost</th>
<th>Present Charges</th>
<th>Proposed Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frame</td>
<td>2.54</td>
<td>1.48</td>
</tr>
<tr>
<td>2 lenses</td>
<td>16.06 or more</td>
<td>7.00</td>
</tr>
<tr>
<td>Dispensing fee</td>
<td>4.05</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>22.65 or more</td>
<td>8.48</td>
</tr>
</tbody>
</table>

\(^\text{1}\) with effect from 1 October 1975

**Notes:**

1) All costs exclude reimbursement of VAT
2) Lens prices will probably be increased by, on average, about 12% with effect from 1 November 1975