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SECRETC.P.(56) 247COPY NO. 5822nd October, 1956CABINETGOVERNMENT EXPENDITURE: ECONOMIESNote by the Chancellor of the Exchequer

I circulate the draft of a statement on Government expenditure, which I propose to make on Thursday, 25th October.

2. I must remind the Cabinet that the decisions announced in this statement still leave us £6 $\frac{3}{4}$ millions short of the £100 millions savings which we have undertaken to secure. All contributions will be gratefully received. Bis dat qui cito dat.

H.M.

Treasury Chambers, S.W.1.

22nd October, 1956

DRAFT STATEMENTGOVERNMENT EXPENDITURE: ECONOMIES

With your permission, Mr. Speaker, and that of the House, I would like to make a further statement about economies in Government expenditure.

2. The Government set out to achieve savings of £100 millions in this current year on services provided in the original Estimates as published. On 26th June I made an interim announcement of savings amounting to £76 millions, of which £36 $\frac{1}{2}$ millions was on the Defence programme, £14 millions on defence expenditure by Civil Departments and £25 $\frac{1}{2}$ millions on other Civil Estimates.

3. I have now to announce that further savings have been decided on by the Government amounting to £17 $\frac{1}{4}$ millions. Of this, £9 millions is on the Defence programme and £8 $\frac{1}{4}$ millions on the Civil Estimates. I will circulate details of these further savings in the Official Report. Advance copies will be available in the Vote Office immediately.

4. With these further savings the total so far achieved towards the £100 millions is £93 $\frac{1}{4}$ millions. I will make a further statement later about the balance. Among the items in the present instalment, I need comment on only two.

5. First, it is proposed to increase, as from 1st December 1956 the charge for National Health Service prescriptions. Instead of 1s. per form it will be 1s. per item. The average cost of prescriptions is about 5s. per item. The saving will be £ $\frac{3}{4}$ million this year and £5 millions in a full year.

6. Secondly, it is proposed to make a seasonal increase, from 7 $\frac{1}{2}$ d. to 8d. a pint, in the retail price of milk as from 1st January 1957 for the remainder of the winter. The net saving this year will be £4 $\frac{1}{2}$ millions. The charges for school and welfare milk will not be affected by this change.

7. I would remind the House that all these decisions about Government expenditure ignore, on the one hand, additional necessary expenditure not provided for in the original Estimates; and that, on the other hand, they do not take credit for underspending on those Estimates during the year apart from those deliberately planned. As regards the additional expenditure, Civil Supplementary Estimates were presented in July amounting to some £15 millions, excluding Post Office expenditure to be covered by self-balancing revenue. On defence, additional expenditure is being incurred by the Services in connection with the Suez Canal crisis, but it is not yet possible to estimate how much this will amount to during the year.

Following are the details:-

ECONOMIES IN GOVERNMENT EXPENDITURE: EFFECTS ON ESTIMATES, 1956-57

(Additional to those reported on 26th June, 1956 - Hansard, Cols. 275-280)

I. DEFENCE

| Vote No. | Title of Vote | Reduction £000 | Notes |
|-----------------------|--|-------------------|---|
| <u>NAVY ESTIMATES</u> | | | |
| 8.III | Shipbuilding, Repairs, Maintenance, etc: Contract Work | 1,725 | Mainly revision of re-fit programme. |
| 10 | Works, Buildings and Repairs at Home and Abroad | 75 | Review of major works. |
| | Total | <u>1,800</u> | |
| <u>ARMY ESTIMATES</u> | | | |
| 1 | Pay, etc. of Army | 800 | Manpower adjustment. |
| 4 | Civilians | 1,750 | Reduction in requirements of civilian labour in Germany. |
| 7 | Stores | 250 | Reduction in purchases of accommodation stores in Germany. |
| 8 | Works, Buildings and Lands | 500 | Curtailement of certain works services. |
| | Total | <u>3,300</u> | |
| <u>AIR ESTIMATES</u> | | | |
| 1 | Pay, etc. of the Air Force | 1,870 | Mainly reduction in R.A.F. manpower requirements. |
| 4 | Civilians | 550 | Reduction in civilian manpower requirements at home and abroad. |
| 5 | Movements | 250 | Mainly reductions consequent on lower personnel strength. |
| 6 | Supplies | 500 | |
| 7 | Aircraft and Stores | 730 | Reduction in equipment requirements. |
| | Total | <u>3,900</u> | |
| | TOTAL FOR DEFENCE ESTIMATES | 9,000 | |

II. CIVIL

| Class and Vote No. | Title of Vote | Reduction £000 | Notes |
|-----------------------|--|-------------------|---|
| II.2 | Foreign Office Grants and Services | 750 | Reduction in loan to Jordan on re-phasing the develop- ment programme. |
| 9 | Colonial Services | 1,250 | Reduction in loan to Kenya (£1 million) and miscellaneous services. |
| IV.1 | Ministry of Education | + 130 | Increase in subsidy on school milk consequent on increase in retail price. |
| 14 | Department of Education for Scotland | + 10 | - ditto - |
| V.4 | Ministry of Health | + 410 | Increase in subsidy on welfare milk consequent on increase in retail price. |
| 5 | National Health Services, England and Wales | 700 | Increase from 1st December, 1956, in charge for prescriptions from 1s. a form to 1s. an item. |
| | -ditto- | 500 | Reductions in stocks of hospital supplies. |
| 10 | Department of Health for Scotland | + 40 | Increase in subsidy on welfare milk consequent on increase in retail price. |
| 11 | National Health Service, Scotland | 50 | Increase in charge for prescriptions as above. |
| VIII.2 | Agricultural and Food Services | 4,760 | Seasonal increase in the maximum retail prices of all grades of milk by $\frac{1}{2}$ d. a pint from 1st January, 1957. |
| 12 | Department of Agriculture for Scotland | 330 | |
| - | All Votes | 250 | Reduction by 5 per cent, as from 1st November, 1956, of the average monthly provision for Travelling and Subsistence Allowances |
| - | Various Civil Defence Services | 250 | Miscellaneous (including equipment, railways and ports). |
| | TOTAL FOR CIVIL ESTIMATES | 8,250 | |
| | TOTAL: DEFENCE AND CIVIL | 17,250 | |