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PREM 19/290

Part 3

MT

SECRET

Confidential filing

Relations between central and local government.
Local government manpower. The local government
manning and land bill.

Local Authority Expenditure

LOCAL
GOVERNMENT

Pt 1 May 1979

Pt 3 Feb 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4-3-80		2-10-80					
10-3-80		6-10-80					
31-3-80		27.9.80					
14-4-80		ends-					
6-6-80							
12-6-80							
13-6-80							
19-6-80							
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31-7-80							
2-8-80							
9-8-80							
15-9-80							
16-9-80							
18-9-80							
22-9-80							

PREM 19/290

● PART 3 ends:-

CAW to PM 27.9.80

PART 4 begins:-

E(80) 107 29.9.80

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(80) 8 th Meeting, Minutes	10/03/80
E(80) 42	19/05/80
E(80) 44	20/05/80
E(80) 17 th Meeting, Item 2	22/05/80
CC(80) 22 nd Conclusions, Minute 4	05/06/80
E(80) 63	04/07/80
E(80) 24 th Meeting, Item 1	09/07/80
H(80) 62	18/07/80
C(80) 44	18/07/80
H(80) 18 th Meeting, Item 5	22/07/80
CC(80) 30 th Meeting, Item 7	24/07/80
H(80) 66	28/07/80
C(80) 48	29/07/80
H(80) 19 th Meeting, Item 4	30/07/80
CC(80) 31 st Meeting, Item 5	31/07/80
E(80) 93	05/09/80
E(80) 94	08/09/80
E(80) 32 nd Meeting, Item 1	10/09/80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland Date 10 June 2010

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard

13 June 1980

Columns 1014-1021

Local Government Expenditure (Circular)

Signed Wayland Date 10 June 2010

PREM Records Team



10 DOWNING STREET

PRIME MINISTER

The Mayor of Ynys Mon Borough Council wrote to you (Flag A) arguing that his Council should be allowed to apply the revenues they receive from the oil terminal at Amlwch without being subject to the new capital expenditure controls which are being introduced throughout local government.

I attach below a reply for you to send to Councillor Evans turning down his case. The draft has been provided by the Secretary of State for Wales' Office.

*Don't like the
decision.
Will discuss
with*

27 September, 1980

*Wynne
Roberts.*

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)

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Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)

01-233 6106 (Direct Line)

From The Secretary of State for Wales

23 September 1980

R24/9

Dear Clive (or)

... I attach a draft reply for the Prime Minister to send to the Mayor of Ynys Mon Borough Council about the oil revenues which the Council now receives from the oil terminal at Amlwch.

/ I am sending a copy of the draft to David Edmonds (DOE).

Yours ever
J. F. Craig
J. F. CRAIG
Private Secretary

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
LONDON SW1



SUGGESTED DRAFT REPLY FOR PRIME MINISTER TO SEND TO:

Conor Hall

Clr Keith Evans
Mayor of Ynys Mon Borough Council
Mayor's Parlour
Borough Council Office
Llangefni
Anglesey

Thank you for your letter of 3 September. I much enjoyed the opportunity we had to lunch together during my recent visit to Anglesey.

considered very carefully
I have ~~taken up with the Secretary of State for Wales, Nicholas Edwards,~~ your request that capital expenditure financed from the income from Amlwch Oil Terminal should be exempted from the new capital expenditure control. I should like to be able to help, but I am ~~sorry to say the answer must be no.~~ *opinion that I have concluded that I cannot do so.*

As you will know, the central part of the new system of capital expenditure controls is that local authorities will be given much more freedom than they have at present to determine their own capital expenditure priorities. It follows from this that the present range of controls on separate services, essentially on borrowing, will disappear. But the counterpart to the greater freedom for individual authorities to determine their own capital programmes is that Government control will in future apply to all capital expenditure no matter how it is financed.

As the provision of the additional recreational and community

/facilities ...



facilities you wish to provide would contribute towards total public expenditure it must come within the new controls. Although the Anglesey Marine Terminal Act 1972 does enable you to have a special arrangement with Shell UK Oil Ltd, the income from the terminal is no different in principle from that received from publicly owned assets by other local authorities.

It is of course up to your Council to decide how it wishes to use the receipts from the terminal, but there is the point that if the income is used to reduce your authority's present level of borrowing, it is certainly not being frittered away. The inhabitants of Anglesey will benefit substantially by not having to meet loan charges in future years.

BACKGROUND NOTE

The Mayor of Ynys Mon is seeking the Prime Minister's agreement to exclude expenditure financed from the Amlwch Terminal from the new capital expenditure controls to be introduced under Part VIII of the Local Government Planning and Land (No 2) Bill. The issue has already been the subject of correspondence between Mr Wyn Roberts and Mr Keith Best the constituency MP.

The local authority has already been told on three occasions through Mr Keith Best their proposal cannot be accepted.

There are two main reasons why the proposal should be turned down. First, to permit the use of the income from Shell for additional capital expenditure would result in an increase in public expenditure by £0.5m a year. Secondly, and more important, many other authorities are in a broadly similar position to Ynys Mon. If the payments from Shell are regarded as income from the capital assets they are in no way different from, say, income from airports, ports or any trading asset such as a market or factory. A dispensation given to Ynys Mon would not only require special regulations to be made under the Bill to exempt these payments from control, but would also set a precedent with the result that any authority with a large income from a capital asset could argue for similar treatment. The result would be to undermine the whole purpose of the new capital control system which was established to stop local authorities inflating the level of their capital expenditure by the use of their own funds.

Local Govt

**MR. WRIGHT
CABINET OFFICE**

**Scottish Local Authority Current
Expenditure 1980-81**

The Prime Minister has read your minute of 18 September and also the Chancellor of the Exchequer's minute of 16 September and Mr. Rifkind's of 17 September. She agrees that this matter will have to be reconsidered in E Committee on 2 October.

TPL

22 September 1980

TR

Ref. A03033

MR. LANKESTER

Yes

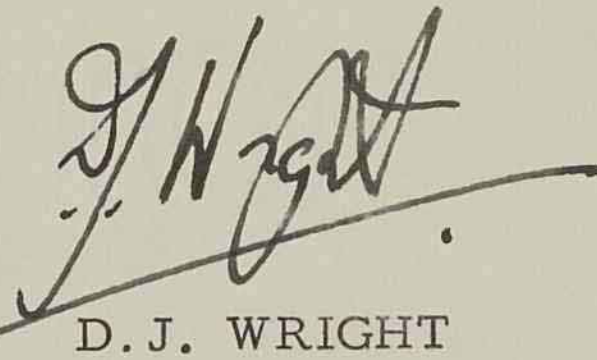
1
Prime Minister
The Chancellor (Flas A)
disagrees with amendment
to the E minute proposed
by Mr Younger. Substr
Office (Flas B) with the
matter reconsidered in
E. Agree?

Scottish Local Authority Current Expenditure 1980-81

— You asked for advice following the minute from Mr. Rifkind of 17th September asking that a decision on the treatment of Scottish overspending authorities should be deferred until the Secretary of State for Scotland returns from Japan. ¹²

2. This issue could be reconsidered at the meeting of E Committee planned for 2nd October. The Scots are satisfied that they can delay an announcement till then. The announcement in England will have gone ahead today, and the two are therefore in any case bound to be out of step in time. The Treasury would not object to that timescale if the issue is to be reconsidered.

3. If the Prime Minister decides that the Committee should look again at the question, Mr. Younger might be asked to set out on paper his new proposals, and his reasons for resisting the arguments advanced in the Chancellor's minute of 16th September.


D.J. WRIGHT

18th September, 1980



19 SEP 1980

MR. JAMES W. ...

Office of the Assistant Secretary for ...

You are invited to a reception ...
The reception will be held ...
The reception will be held ...
The reception will be held ...

19 SEP 1980

9 10 11 12 1 2 3 4 5 6 7 8

D. G. WILSON

19 SEP 1980

Press Notice 378

18 September 1980

Local Govt

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LOCAL AUTHORITY CURRENT EXPENDITURE : 1980/81
STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT
18 SEPTEMBER 1980

1. The original budget submitted in April by local authorities indicated a 'raw' planned excess on current expenditure of 5.6% (£740m) over the RSG settlement level. Local authorities' budgets historically overstate final outturn and I judged that this figure indicated that the likely outturn would in practice be 2-3% above the target. This view was subsequently endorsed by the work of the Expenditure Groups of the Consultative Council on Local Government Finance. I was not prepared to accept such a figure and I therefore called for revised budgets.

2. My Department has now analysed the 444 revised budgets out of a possible 457 covering over 99% of expenditure. The new budgets show a reduction of £390m compared with the original. This is £350m (2.6%) above the target for expenditure that I set.

3. The crucial judgment is the extent to which local authorities will actually spend below this budgetted figure. The position historically is as shown:

VOLUME OF CURRENT EXPENDITURE - COMPARISON OF BUDGETS AND OUTTURN

Year	Original Budget	Revised Budget	Outturn
	% above RSG settlement assumption		
1976/77	4.7%	2.8%	-0.3%
1977/78	1.4%		-2.7%
1978/79	1.9%		-0.8%
1979/80	3.6%		0% (estimate)
1980/81	5.6%	2.6%	not available

4. I have had to take two important factors into account. First the underspending in earlier years took place against a rising path of planned expenditure. It is, arguably, easier to underspend when budgeting to increase than to get below budgets which are themselves reductions from previous outturn. Secondly, 70% of local authority current expenditure is accounted for by manpower. If, therefore, I were now to be totally satisfied that the excess will disappear this year, I would need to be convinced that the manpower reductions were moving much faster than they did in the figures for the three quarters to March 1980.

5. The Joint Manpower Watch figures for England and Wales for the quarter ending June 1980 which are being announced separately today are therefore particularly significant. They show the first signs that the necessary manpower reductions are beginning to come through - briefly a decrease of about 29,000 full time equivalents (1.4%) between June 1979 and June 1980. This represents the largest ever reduction in local authority manpower achieved in one year. It compares with the previous highest figure of 22,000 in 1976/77 and it exceeds this previous year's figure by 32%. Nevertheless, if the expenditure target for 1980/81 were to be achieved, considerable further reductions in manpower are required in the next 3 quarters of the current financial year.

6. These two considerations, therefore, lead me to conclude that, while there are indications that the downward trend is underway, I must take a cautious and conservative view of the likely outcome in 1980/81. There is, of course, an element of judgment in this, but I believe that we must assume that there remains the possibility that the eventual outturn could still be an excess of some £200m.

7. Clearly, such an overspend would be unacceptable. Public expenditure targets are too important to disregard any overspending. I have therefore concluded that I must take action on two levels. First, I propose to take action against those authorities who have blatantly disregarded the Government's exhortations to reduce their expenditure. I shall, therefore, subject to Parliamentary approval, implement the transitional arrangements so as to reduce grant to those authorities with rates above a threshold level of 155p unless at the time when the transitional arrangements Order is presented to Parliament they can be shown to have made exceptional efforts to hold down their rateborn expenditure in the current year or to have achieved their two-year volume target as requested in the call for revised budgets. I attach a list of these authorities and the effect on each of the announcement I am making (Annex 1): this is subject, of course, to any further relevant changes in their finances before the Order is presented.

8. At the same time, I shall not add to the high levels of the expenditure of those partnership and programme authorities who have refused to co-operate with the Government. To the extent, therefore, that expenditure has not been firmly committed for 1981/82 for the London Boroughs of Hackney, Islington and Lambeth, I propose to withhold urban programme grant from them and make it available to other urban programme authorities.

9. Finally, I propose to withhold £200m of rate support grant when I make the first Increase Order for 1980/81 in November. In doing so I appreciate that such a reduction does not discriminate between those who have made great efforts to reduce their expenditure and those who have not. I greatly regret that I have

no statutory powers to do this although next year with the introduction of the new Rate Support Grant system I shall be able to differentiate between the prudent and the profligate. I am, however, aware, too, of the possibility that if past trends are repeated the eventual outturn could fall below the £200m excess. I shall not therefore cut the cash limit irreversibly. Instead I intend to withhold £200m until I reconsider the cash limit in November 1981 when I make the Second Increase Order. I shall then have a clearer view of the 1980/81 outturn and can make a judgment as to the extent to which it is fair to release the £200m or any part of it to local authorities. I believe this to be fair and equitable in that it will provide local government with the clearest incentive to repeat its achievements of earlier years by keeping its expenditure within the Government's guidelines.

10. I should say that I have considered acting to secure reductions on the capital programme of local authorities both this year and next to secure part of the economies required. I have rejected these options in the present context for two reasons. First, it is more important to seek reductions in current as opposed to capital public expenditure, and second I have much sympathy with the arguments advanced by the construction industry against further reductions in their workload.

11. In conclusion, I must add that my colleagues and I are grateful to all those many authorities who have made such strenuous efforts to produce the considerably reduced aggregate figure which I have presented today.

Telephone Nos: 01-212 4682/3/4/5/6
Night Calls (6.30 pm to 8.00 am)
Weekends and Holidays:
01-212 7071

THE RSG TRANSITIONAL ARRANGEMENTS

1. The application of the transitional arrangements is subject to the enactment of the relevant provisions of the Local Government, Planning and Land Bill, and Parliamentary approval of the appropriate Order. The legislation provides for reductions in grant to be applied to authorities whose uniform rates (adjusted in the case of London authorities to discount the resource advantage left with London in recent RSG settlements so as to help keep rate bills down) in 1980/81 are above the 119p "notional uniform rate" that would apply in areas where authorities were spending in line with their expenditure need assessments.

2. The Secretary of State has discretion to limit the application of the arrangements and has previously indicated that relatively few - almost certainly not more than 20 - authorities would suffer grant reductions under the scheme. The limitation on the scope of the scheme will apply as follows:

(a) authorities will be liable for grant reductions only if their uniform/adjusted uniform rate is above 155p (ie more than 30% higher than the notional uniform rate);

(b) authorities within this category will nevertheless be exempted if either they have contained their expenditure in the current year (by providing for a cash increase at least three percentage points below the average for their class) or met their two-year public expenditure volume targets;

(c) in addition the City of London, whose exceptionally high adjusted uniform rate arises from the fact that its services are provided predominantly for a non-resident population (its night-time population is less than one sixtieth of its day-time population) will be excluded.

3. The scale of grant abatement will be an amount equivalent to a penny rate for the authority concerned plus an amount equivalent to one twentieth of a penny rate for each penny by which the authority's uniform/adjusted uniform rate exceeds the threshold level of 155p. There will be a maximum abatement

equivalent to a 5p rate. The calculation of grant abatement will be subject to amendment where on application by the authorities affected it is shown that uniform rates have been increased by

- (a) expenditure on emergencies;
- (b) loss of rate income arising from steelworks closures;
- (c) rate fund contributions to urban programme expenditure.

4. Subject to any such amendments, or to any further relevant changes in authorities' finances before the transitional arrangements Order is presented to Parliament, the Order will provide for grant reductions as set out in the table attached.

	Uniform/ adjusted uniform rates above 155p p	Difference from class average (a) of % increase in rate and RSG borne expenditure 79/80 budget to 80/81 budget	1980/81 revised volume excess %	Grant reduction	
				Amount £m	poundage
City of London (b)	£160.357	--	--	--	--
Camden	265.53	+ 2.6	12.7	5.22	5.00
Islington	230.67	+ 5.5	5.0	2.42	4.78
Southwark	215.91	+ 1.4	-0.2(c)	--	--
Tower Hamlets	209.67	+ 3.2	19.0	1.55	3.73
Lambeth	207.59	+ 3.1	11.7	2.10	3.63
Haringey	192.42	+ 2.2	-- 0.8 (c)	--	--
Hackney	189.93	+ 1.8	21.5	1.01	2.75
Lewisham	180.58	+ 2.3	11.9	0.97	2.28
Newcastle-upon-Tyne	178.54	+ 1.1	3.4	1.31	2.18
Hammersmith & Fulham	165.94	-- 0.3	3.2	0.51	1.55
Swansea	165.04	+ 1.7	0 (c)	--	--
Brent	163.28	+ 4.5	12.3	0.71	1.41
Waltham Forest	162.04	+ 7.9	7.4	0.53	1.35
Newham	160.48	+ 0.6	-- 2.9 (c)	--	--
Manchester	159.05	-- 5.1 (c)	2.0	--	--
Hounslow	158.07	+ 4.8	9.2	0.55	1.15
Greenwich	157.86	-- 0.6	4.6	0.41	1.14
Afan	157.06	-- 1.9	1.1	0.11	1.10
Doncaster	156.73	+ 0.1	-- 0.3 (c)	--	--
Sheffield	156.05	-- 0.4	1.9	1.02	1.05
Wandsworth	155.83	-- 7.0 (c)	-- 3.8 (c)	--	--
Merthyr Tydfil	155.43	-- 3.5 (c)	11.8	--	--

Notes: (a) Class averages are

- Metropolitan authorities 22.6%
- Non-metropolitan authorities England 21.5%
- Non-metropolitan authorities Wales 21.7%
- London authorities 19.9%

(b) exempted.

(c) qualifies for waiver.

REVISED BUDGETS: INDIVIDUAL AUTHORITY RESULTS

Technical notes on the figures

1. The figures have been adjusted where necessary to follow the standard derivations which authorities were asked to use for consistency. In a few cases they may, therefore, differ from the figures submitted by authorities on their RER81B forms.
2. The stated amounts of "savings requested" and "savings achieved" both take account of amendments many authorities have made to their original budget returns to correct errors and misunderstandings. These figures, on average, therefore understate the extent to which the revised budgets show reductions over the budget figures submitted by authorities in April/May of this year.
3. Because of the way authorities draw up their budgets, the figures in these tables use a rather wider definition of expenditure volume than that used for the aggregate current expenditure target as published in Rate Support Grant orders.
4. In the case of the 13 authorities whose returns had not been received by DOE by 17 September, the original budget figures have been used.

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
AVON	197,201	202,831	9,240	3,610	2.9
BEDFORDSHIRE	118,558	120,096	3,299	1,761	1.3
BERKSHIRE	139,465	143,265	6,162	2,362	2.7
BUCKINGHAMSHIRE	112,870	116,288	4,812	1,394	3.0
CAMBRIDGESHIRE	116,712	122,588	7,372	1,496	5.0
CHESHIRE	215,792	219,183	3,391	0,000	1.6
CLEVELAND	146,530	150,671	4,141	0,000	2.8
CORNWALL	85,847	88,951	4,610	1,506	3.6
CUMBRIA	112,386	112,554	2,953	2,785	0.1
DERBYSHIRE	196,666	199,446	2,780	0,000	1.4
DEVON	191,047	195,141	8,463	4,369	2.1
DORSET	115,812	115,762	1,951	2,001	0.0
DURHAM	141,534	145,641	4,107	0,000	2.9
EAST SUSSEX	133,350	133,398	5,331	5,283	0.0
ESSEX	288,033	293,729	12,690	6,994	2.0
GLOUCESTERSHIRE	107,267	108,813	4,133	2,587	1.4
HAMPSHIRE	303,483	297,460	2,376	8,399	-2.0
HEREFORD & WORCESTER	127,883	130,610	2,727	0,000	2.1
HERTFORDSHIRE	211,704	213,774	4,693	2,625	1.0
HUMBERSIDE	195,929	197,289	3,624	2,264	0.7
ISLE OF WIGHT	23,394	24,249	1,305	0,450	3.7
KENT	303,547	302,592	11,651	12,606	-0.3
LANCASHIRE	303,036	315,190	13,654	1,500	4.0
LEICESTERSHIRE	179,845	180,623	1,989	1,211	0.4
LINCOLNSHIRE	119,031	118,680	2,417	2,768	-0.3
NORFOLK	137,201	138,920	3,285	1,566	1.3

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
NORTHAMPTONSHIRE	110,339	110,339	3,539	3,559	0.0
NORTHUMBERLAND	69,236	71,646	2,374	0.036	3.5
NORTH YORKSHIRE	146,806	148,099	4,282	2,989	0.9
NOTTINGHAMSHIRE	218,585	219,715	4,126	2,996	0.5
OXFORDSHIRE	107,587	109,261	4,825	3,151	1.6
SALOP	79,062	82,428	3,366	0,000	4.3
SOMERSET	86,331	89,436	5,351	2,246	3.6
STAFFORDSHIRE	219,476	222,358	9,092	6,210	1.3
SUFFOLK	116,017	118,255	4,758	2,520	1.9
SURREY	197,056	197,118	5,080	5,018	0.0
WARWICKSHIRE	99,936	100,727	3,710	2,919	0.8
WEST SUSSEX	121,602	127,542	7,448	1,508	4.9
WILTSHIRE	108,390	110,488	2,098	0,000	1.9

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
CLWYD	90.228	93.247	4.398	1.379	3.3
DYFED	84.498	84.501	1.494	1.491	0.0
GWENT	103.869	105.334	2.395	0.930	1.4
GWYNEDD	57.639	58.407	2.019	1.251	1.3
MID. GLAMORGAN	131.672	137.410	7.991	2.253	4.4
POWYS	33.413	33.349	-0.064	0.000	-0.2
SOUTH GLAMORGAN	87.285	89.181	2.663	0.767	2.2
WEST GLAMORGAN	96.948	95.100	-0.432	1.416	-1.9

VOLUME EXCESS ; ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE £MILLIONS	REVISED BUDGET £MILLIONS	SAVINGS REQUESTED £MILLIONS	SAVINGS ACHIEVED £MILLIONS	VOLUME EXCESS AS % OF TARGET %
GREATER MANCHESTER	192.666	201.639	11.198	2.225	4.7
MERSEYSIDE	134.937	146.930	15.476	3.483	8.9
SOUTH YORKSHIRE	109.316	118.458	9.142	0.000	8.4
TYNE AND WEAR	101.591	101.591	1.725	1.725	0.0
WEST MIDLANDS	172.826	181.972	12.146	3.000	5.3
WEST YORKSHIRE	146.950	154.205	7.255	0.000	4.9

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
ISLES OF SCILLY	0.613	0.662	0.055	0.006	8.0
GREATER MANCHESTER					
BOLTON	50.898	52.958	1.818	-0.242	4.0
BURY	35.030	36.247	2.295	1.078	3.5
MANCHESTER	138.227	141.024	14.268	11.471	2.0
OLDHAM	44.775	45.338	1.473	0.910	1.3
ROCHDALE	46.601	48.393	2.127	0.335	3.8
SALFORD	55.116	56.022	1.651	0.745	1.6
STOCKPORT	54.669	55.715	1.335	0.289	1.9
TAMESIDE	47.113	46.800	-0.252	0.061	-0.7
TRAFFORD	44.613	44.613	0.728	0.728	0.0
WIGAN	62.145	63.670	1.658	0.133	2.5
TOTAL OF DISTRICTS	579.187	590.780	27.101	15.508	
MERSEYSIDE					
KNOWSLEY	43.163	43.162	0.105	0.106	0.0
LIVERPOOL	127.662	131.206	6.277	2.733	2.8
ST HELENS	40.827	41.325	0.925	0.427	1.2
SEFTON	56.864	56.892	2.054	2.026	0.0
WIBRAL	71.018	73.757	3.830	1.091	3.9
TOTAL OF DISTRICTS	339.534	346.342	13.191	6.383	
SOUTH YORKSHIRE					
BARNSELY	47.568	49.035	1.895	0.428	3.1
DONCASTER	64.754	64.567	2.190	2.377	-0.3
ROTHERHAM	52.926	53.458	1.736	1.204	1.0
SHEFFIELD	115.183	117.413	6.601	4.371	1.9
TOTAL OF DISTRICTS	280.431	284.473	12.422	8.380	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
TYNE AND WEAR					
GATESHEAD	44.747	48.146	4.618	1.219	7.6
NEWCASTLE-UPON-TYNE	71.140	73.561	4.155	1.734	3.4
NORTH TYNESIDE	43.056	43.356	0.300	0.000	0.7
SOUTH TYNESIDE	37.167	37.198	1.871	1.840	0.1
SUNDERLAND	61.555	69.900	8.637	0.292	13.6
TOTAL OF DISTRICTS	257.665	272.161	19.581	5.085	
WEST MIDLANDS					
BIRMINGHAM	230.039	240.158	6.658	-3.461	4.4
COVENTRY	67.416	72.032	5.434	0.818	6.8
DUDLEY	47.880	50.070	4.958	2.768	4.6
SANDWELL	63.648	67.657	4.209	0.200	6.3
SOLIHULL	38.242	37.193	-1.039	0.010	-2.7
WALSALL	52.554	55.977	5.721	2.298	6.5
WOLVERHAMPTON	53.805	59.796	5.991	0.000	11.1
TOTAL OF DISTRICTS	553.584	582.883	31.932	2.633	
WEST YORKSHIRE					
BRADFORD	103.742	103.742	0.227	0.227	0.0
CALDERDALE	41.892	42.743	0.851	0.000	2.0
KIRKLEES	70.592	75.490	2.603	-2.295	6.9
LEEDS	131.283	137.492	4.282	-1.927	4.7
WAKEFIELD	64.245	64.243	0.228	0.230	0.0
TOTAL OF DISTRICTS	411.754	423.710	8.191	-3.765	

VOLUME EXCESS , ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
GREATER LONDON CL	786.972	792.619	20.078	14.431	0.7
CITY OF LONDON	18.846	21.189	3.328	0.985	12.4
CAMDEN	37.479	42.225	4.746	0.000	12.7
GREENWICH	26.452	27.656	1.204	0.000	4.6
HACKNEY	31.667	38.481	6.814	0.000	21.5
HAMMERSMITH & FULHAM	30.471	31.441	1.304	0.334	3.2
ISLINGTON	32.723	34.369	1.646	0.000	5.0
KENSINGTON & CHELSEA	23.700	23.685	0.630	0.645	-0.1
LAMBETH	48.320	53.965	5.645	0.000	11.7
LEWISHAM	35.463	39.683	4.220	0.000	11.9
SOUTHWARK	45.224	45.122	0.016	0.118	-0.2
TOWER HAMLETS	33.434	39.786	6.352	0.000	19.0
WANDSWORTH	42.652	41.021	1.631	0.000	-3.8
WESTMINSTER	40.850	40.815	1.065	1.100	-0.1

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
BARKING & DAGENHAM	36.268	37.875	1.607	0.000	4.4
BARNET	63.504	63.368	2.047	2.183	-0.2
BEXLEY	49.589	49.871	1.083	0.801	0.6
BRENT	72.910	81.897	8.987	0.000	12.3
BROMLEY	62.003	61.506	-0.043	0.454	-0.8
CROYDON	69.870	69.873	2.565	2.562	0.0
EALING	72.734	72.340	1.242	1.636	-0.5
ENFIELD	55.475	56.998	2.776	1.253	2.7
HARINGEY	67.236	66.670	1.283	1.849	-0.8
HARROW	43.284	44.071	1.944	1.157	1.8
HAVERING	54.055	53.953	2.813	2.915	-0.2
HILLINGDON	57.263	55.351	-1.912	0.000	-3.3
HOUNSLOW	48.154	52.601	4.670	0.223	9.2
KINGSTON=UPON=THAMES	29.201	29.031	-0.170	0.000	-0.6
MERTON	38.566	38.579	2.456	2.443	0.0
NEWHAM	60.398	58.629	2.884	4.653	-2.9
REDBRIDGE	46.582	46.106	-1.029	-0.553	-1.0
RICHMOND=UPON=THAMES	34.153	34.553	2.645	2.245	1.2
SUTTON	33.392	34.614	1.640	0.418	3.7
WALTHAM FOREST	55.384	59.456	4.072	0.000	7.4

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
AVON					
BATH	2.370	2.254	=0.061	0.055	=4.9
BRISTOL	13.239	20.051	7.448	0.636	51.5
KINGSWOOD	1.639	1.756	0.152	0.035	7.1
NORTHAVON	2.080	2.117	0.182	0.145	1.8
WANSDYKE	1.912	1.901	=0.006	0.005	=0.6
WOODSPRING	4.812	4.894	0.180	0.098	1.7
TOTAL OF DISTRICTS	26.052	32.973	7.895	0.974	
BEDFORDSHIRE					
NORTH BEDFORDSHIRE	3.818	3.815	0.143	0.146	=0.1
LUTON	4.112	4.076	0.781	0.817	=0.9
MID BEDFORDSHIRE	1.749	1.780	0.133	0.102	1.8
SOUTH BEDFORDSHIRE	3.065	3.060	0.149	0.154	=0.2
TOTAL OF DISTRICTS	12.744	12.731	1.206	1.219	
BERKSHIRE					
BRACKNELL	2.095	2.180	0.112	0.027	4.1
NEWBURY	2.553	2.727	0.314	0.140	6.8
READING	5.883	5.742	0.235	0.376	=2.4
SLOUGH	3.740	3.512	=0.128	0.100	=6.1
WINDSOR & MAIDENHEAD	3.159	3.149	0.179	0.189	=0.3
WOKINGHAM	2.539	2.506	0.051	0.084	=1.3
TOTAL OF DISTRICTS	19.969	19.816	0.763	0.916	
BUCKINGHAMSHIRE					
AYLESBURY VALE	2.747	2.737	0.197	0.207	=0.4
BEACONSFIELD	1.579	1.578	0.031	0.032	=0.1
CHILTERN	2.183	2.144	0.153	0.192	=1.8
MILTON KEYNES	2.956	3.668	0.712	0.000	24.1
WYCOMBE	3.191	3.037	0.056	0.210	=4.8
TOTAL OF DISTRICTS	12.656	13.164	1.149	0.641	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE £MILLIONS	REVISED BUDGET £MILLIONS	SAVINGS REQUESTED £MILLIONS	SAVINGS ACHIEVED £MILLIONS	VOLUME EXCESS AS % OF TARGET %
CAMBRIDGESHIRE					
CAMBRIDGE	2,476	2,613	0.745	0.608	5.5
EAST CAMBRIDGESHIRE	1,093	1,025	-0.068	0.000	-6.2
FENLAND	1,608	1,619	0.011	0.000	0.7
HUNTINGDON	2,183	2,235	0.107	0.055	2.4
PETERBOROUGH	4,251	5,156	1.132	0.227	21.3
SOUTH CAMBRIDGESHIRE	1,738	1,803	0.128	0.063	3.7
TOTAL OF DISTRICTS	13,349	14,451	2,055	0,953	
CHESHIRE					
CHESTER	3,204	3,760	0.556	0.000	17.4
CONGLETON	2,353	2,326	0.016	0.043	-1.1
CREWE AND NANTWICH	3,539	3,419	0.012	0.132	-3.4
ELLESMERE & NESTON	2,741	2,970	0.229	0.000	8.4
HALTON	3,990	4,138	0.191	0.043	3.7
MACCLESFIELD	4,523	4,400	-0.123	0.000	-2.7
VALE ROYAL	3,536	3,531	0.032	0.037	-0.1
WARRINGTON	5,878	5,846	0.258	0.290	-0.5
TOTAL OF DISTRICTS	29,764	30,390	1,171	0,545	
CLEVELAND					
HARTLEPOOL	3,207	3,207	0.460	0.460	0.0
LANGBAURGH	6,188	7,292	1.160	0.056	17.8
MIDDLESBROUGH	6,927	7,869	0.889	-0.053	13.6
STOCKTON ON TEES	5,832	6,200	1.211	0.843	6.3
TOTAL OF DISTRICTS	22,154	24,568	3,720	1,306	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
CORNWALL					
CARADON	1.498	1.615	0.164	0.047	7.8
CARRICK	1.991	1.987	0.013	0.017	-0.2
KERRIER	2.076	2.058	-0.018	0.000	-0.9
NORTH CORNWALL	1.405	1.405	0.047	0.047	0.0
PENWITH	1.886	1.908	0.088	0.066	1.2
RESTORMEL	2.214	2.213	0.097	0.098	0.0
TOTAL OF DISTRICTS	11.070	11.186	0.391	0.275	
CUMBRIA					
ALLERDALE	2.964	3.017	0.070	0.017	1.8
BARROW IN FURNESS	2.608	2.608	0.064	0.064	0.0
CARLISLE	3.352	3.562	0.210	0.000	6.3
COPELAND	2.612	2.853	0.318	0.077	9.2
EDEN	0.968	0.930	-0.038	0.000	-3.9
SOUTH LAKELAND	2.923	2.888	0.177	0.212	-1.2
TOTAL OF DISTRICTS	15.427	15.858	0.801	0.370	
DERBYSHIRE					
AMBER VALLEY	2.816	2.837	0.040	0.019	0.7
BOLSOVER	1.622	1.744	0.442	0.320	7.5
CHESTERFIELD	2.957	3.050	0.310	0.217	3.1
DERBY	7.581	7.662	0.111	0.030	1.1
EREWASH	3.079	3.076	-0.023	-0.020	-0.1
HIGH PEAK	2.737	2.738	0.137	0.139	-0.1
N.E. DERBYSHIRE	2.671	2.668	0.517	0.520	-0.1
SOUTH DERBYSHIRE	1.331	1.435	0.218	0.114	7.8
WEST DERBYSHIRE	1.781	1.805	0.052	0.028	1.3
TOTAL OF DISTRICTS	26.575	27.012	1.804	1.367	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
DEVON					
EAST DEVON	2.969	2.969	0.020	0.020	0.0
EXETER	2.381	2.381	0.015	0.015	0.0
NORTH DEVON	2.334	2.424	0.280	0.190	3.9
PLYMOUTH	5.049	5.090	0.626	0.585	0.8
SOUTH HAMS	1.958	2.046	0.088	0.000	4.5
TEIGNBRIDGE	2.622	2.622	0.145	0.145	0.0
MID DEVON	1.342	1.345	0.003	0.000	0.2
TORBAY	3.184	3.320	1.119	0.983	4.3
TORRIDGE	1.200	1.206	0.004	-0.002	0.5
WEST DEVON	0.771	0.794	0.251	0.228	3.0
TOTAL OF DISTRICTS	23.810	24.197	2.551	2.164	
DORSET					
BOURNEMOUTH	5.553	5.553	0.067	0.067	0.0
CHRISTCHURCH	1.100	1.101	0.347	0.346	0.1
NORTH DORSET	0.806	0.779	0.004	0.031	-3.3
POOLE	3.430	3.381	0.380	0.429	-1.4
PURBECK	0.802	0.798	0.163	0.167	-0.5
WEST DORSET	1.744	1.742	-0.002	0.000	-0.1
WEYMOUTH & PORTLAND	1.692	1.687	0.059	0.064	-0.3
WIMBORNE	1.393	1.398	0.176	0.171	0.4
TOTAL OF DISTRICTS	16.520	16.439	1.194	1.275	
DURHAM					
CHESTER LE STREET	1.439	1.587	0.148	0.000	10.3
DARLINGTON	3.575	3.554	0.129	0.150	-0.6
DERWENTSIDE	2.843	2.974	0.219	0.088	4.6
DURHAM	2.791	3.000	0.725	0.516	7.5
EASINGTON	3.180	3.318	0.505	0.367	4.3
SEDFIELD	3.811	3.849	0.038	0.000	1.0
TEESDALE	0.570	0.589	0.040	0.021	3.3
WEAR VALLEY	2.776	3.244	1.297	0.829	16.9
TOTAL OF DISTRICTS	20.985	22.115	3.101	1.971	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

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	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
EAST SUSSEX					
BRIGHTON	9.132	9.186	-0.719	-0.773	0.6
EASTBOURNE	3.776	4.287	0.588	0.077	13.5
HASTINGS	3.130	3.151	0.088	0.067	0.7
HOVE	2.911	2.809	-0.102	0.000	-3.5
LEWES	2.495	2.494	0.040	0.041	0.0
ROTHER	2.486	2.493	0.249	0.242	0.3
WEALDEN	2.689	2.840	0.328	0.177	5.6
TOTAL OF DISTRICTS	26.619	27.260	0.472	-0.169	
ESSEX					
BASILDON	5.850	6.442	0.606	0.014	10.1
BRAINTREE	2.469	2.396	-0.073	0.000	-3.0
BRENTWOOD	1.492	1.490	0.154	0.156	-0.1
CASTLE POINT	2.567	2.529	-0.038	0.000	-1.5
CHELMSFORD	2.635	2.635	0.054	0.054	0.0
COLCHESTER	2.962	2.962	0.234	0.234	0.0
EPPING FOREST	3.266	3.440	0.174	0.000	5.3
HARLOW	3.576	4.334	0.758	0.000	21.2
MALDON	1.036	1.098	0.073	0.011	6.0
ROCHFORD	1.850	1.966	0.200	0.084	6.3
SOUTHEND ON SEA	6.096	6.303	1.016	0.809	3.4
TENDRING	3.741	3.724	0.163	0.180	-0.5
THURROCK	4.512	4.533	0.527	0.506	0.5
UTTLESFORD	1.425	1.427	0.037	0.035	0.1
TOTAL OF DISTRICTS	43.477	45.279	3.885	2.083	
GLOUCESTERSHIRE					
CHELTENHAM	2.597	2.547	-0.050	0.000	-1.9
COTSWOLD	1.541	1.497	0.026	0.070	-2.9
FOREST OF DEAN	1.501	1.499	0.035	0.037	-0.1
GLOUCESTER	2.129	2.126	0.162	0.165	-0.1
STROUD	2.436	2.431	0.065	0.070	-0.2
TEWKESBURY	1.722	1.727	0.042	0.037	0.3
TOTAL OF DISTRICTS	11.926	11.827	0.280	0.379	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
HAMPSHIRE					
BASINGSTOKE & DEANE	3.744	3.930	0.608	0.422	5.0
EAST HAMPSHIRE	2.255	2.268	0.182	0.169	0.6
EASTLEIGH	1.906	1.874	-0.152	-0.120	-1.7
FAREHAM	2.008	2.369	0.551	0.190	18.0
GOSPORT	1.866	1.940	0.082	0.008	4.0
HART	1.637	1.862	0.463	0.238	13.7
HAVANT	2.836	2.934	0.070	-0.028	3.5
NEW FOREST	3.350	3.379	0.090	0.061	0.9
PORTSMOUTH	7.720	7.974	1.033	0.779	3.3
RUSHMOOR	2.010	1.983	0.162	0.189	-1.3
SOUTHAMPTON	8.082	7.956	0.560	0.686	-1.6
TEST VALLEY	2.135	2.135	0.384	0.384	0.0
WINCHESTER	2.046	2.038	0.022	0.030	-0.4
TOTAL OF DISTRICTS	41.595	42.642	4.055	3.008	
HEREFORD & WORCESTER					
BROMSGROVE	1.846	1.844	0.046	0.048	-0.1
HEREFORD	1.288	1.434	0.183	0.037	11.3
LEOMINSTER	0.713	0.804	0.091	0.000	12.8
MALVERN HILLS	1.949	2.133	0.272	0.088	9.4
REDDITCH	2.055	2.868	0.813	0.000	39.6
SOUTH HEREFORDSHIRE	0.980	1.065	0.107	0.022	8.7
WORCESTER	2.156	2.228	0.072	0.000	3.3
WYCHAVON	3.187	3.187	0.056	0.056	0.0
WYRE FOREST	3.382	3.920	0.538	0.000	15.9
TOTAL OF DISTRICTS	17.556	19.483	2.178	0.251	

VOLUME EXCESS , ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE	REVISED BUDGET	SAVINGS REQUESTED	SAVINGS ACHIEVED	VOLUME EXCESS AS % OF TARGET
	EMILLIONS	EMILLIONS	EMILLIONS	EMILLIONS	%
HERTFORDSHIRE					
BROXBORNE	2.523	2.586	0.157	0.094	2.5
DACORUM	4.223	4.139	-0.084	0.000	-2.0
EAST HERTFORDSHIRE	2.830	3.154	0.411	0.087	11.4
HERTSMERE	3.675	3.943	0.224	-0.044	7.3
NORTH HERTFORDSHIRE	3.153	3.145	0.041	0.049	-0.3
ST. ALBANS	3.264	3.307	0.269	0.226	1.3
STEVENAGE	3.580	3.662	0.121	0.039	2.3
THREE RIVERS	3.077	3.062	-0.015	0.000	-0.5
WATFORD	3.519	3.669	0.250	0.100	4.3
WELWYN HATFIELD	3.503	3.502	0.020	0.021	0.0
TOTAL OF DISTRICTS	33.347	34.169	1.394	0.572	
HUMBERSIDE					
BEVERLEY	1.988	2.057	0.244	0.175	3.5
BOOTHFERRY	1.572	1.826	0.353	0.099	16.2
CLEETHORPES	2.599	2.272	-0.327	0.000	-12.6
GLANFORD	1.641	1.696	0.055	0.000	3.4
GREAT GRIMSBY	2.584	2.640	0.063	0.007	2.2
HOLDERNESS	1.047	1.012	-0.035	0.000	-3.3
KINGSTON-UPON-HULL	9.061	11.429	2.772	0.404	26.1
NORTH WOLDS	2.494	2.506	0.006	-0.006	0.5
SCUNTHORPE	1.909	2.794	0.885	0.000	46.4
TOTAL OF DISTRICTS	24.895	28.232	4.016	0.679	
ISLE OF WIGHT					
MEDINA	1.860	1.860	0.285	0.285	0.0
SOUTH WIGHT	1.674	1.671	0.015	0.018	-0.2
TOTAL OF DISTRICTS	3.534	3.531	0.300	0.303	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
KENT					
ASHFORD	2.011	2.007	0.140	0.144	-0.2
CANTERBURY	3.391	3.388	0.110	0.113	-0.1
DARTFORD	3.387	3.387	0.088	0.088	0.0
DOVER	3.909	4.097	0.454	0.266	4.8
GILLINGHAM	1.372	1.466	0.330	0.236	6.9
GRAVESHAM	2.894	2.956	0.177	0.115	2.1
MAIDSTONE	3.840	3.784	0.056	0.000	-1.5
MEDWAY	3.683	3.672	0.055	0.066	-0.3
SEVENOAKS	4.483	3.991	0.492	0.000	-11.0
SHEPWAY	3.522	3.514	0.100	0.108	-0.2
SWALE	3.749	3.259	0.439	0.051	-13.1
THANET	5.895	5.321	0.574	0.000	-9.7
TONBRIDGE & MALLING	3.373	3.126	0.109	0.138	-7.3
TUNBRIDGE WELLS	2.856	2.853	0.369	0.372	-0.1
TOTAL OF DISTRICTS	48.365	46.821	0.153	1.697	
LANCASHIRE					
BLACKBURN	6.441	6.559	0.207	0.089	1.8
BLACKPOOL	5.963	5.947	0.069	0.085	-0.3
BURNLEY	3.539	4.071	1.085	0.553	15.0
CHORLEY	2.053	2.634	0.611	0.030	28.3
FYLDE	2.332	2.386	0.596	0.275	2.3
HYNDBURN	2.834	3.029	0.279	0.084	6.9
LANCASTER	4.885	4.879	0.154	0.160	-0.1
PENDLE	3.514	3.744	0.466	0.236	6.5
PRESTON	4.123	4.977	1.202	0.348	20.7
RIBBLE VALLEY	1.454	1.464	0.137	0.127	0.7
ROSSENDALE	3.033	3.100	0.067	0.000	2.2
SOUTH RIBBLE	2.176	2.194	0.726	0.708	0.8
WEST LANCASHIRE	3.413	3.403	0.189	0.199	-0.3
WYRE	3.034	3.034	0.315	0.315	0.0
TOTAL OF DISTRICTS	48.661	52.417	6.137	2.381	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE	REVISED BUDGET	SAVINGS REQUESTED	SAVINGS ACHIEVED	VOLUME EXCESS AS % OF TARGET %
	EMILLIONS	EMILLIONS	EMILLIONS	EMILLIONS	
LEICESTERSHIRE					
BLABY	1.468	1.459	0.132	0.141	-0.6
CHARNWOOD	3.052	3.133	0.081	0.000	2.7
MARBOROUGH	1.204	1.256	0.112	0.060	4.3
WINKLEY & BOSWORTH	1.477	1.583	0.233	0.127	7.2
LEICESTER	10.431	10.603	0.380	0.208	1.6
MELTON	0.800	0.947	0.174	0.027	18.4
NORTH WEST LEICESTER	1.686	1.963	0.402	0.125	16.4
ODDY AND WIGSTON	0.994	1.042	0.101	0.053	4.8
RUTLAND	0.598	0.677	0.079	0.000	13.2
TOTAL OF DISTRICTS	21.710	22.663	1.694	0.741	
LINCOLNSHIRE					
BOSTON	1.539	1.544	0.091	0.086	0.3
EAST LINDSEY	2.751	2.937	0.243	0.057	6.8
LINCOLN	2.803	2.609	-0.102	0.092	-6.9
NORTH KESTIVEN	1.686	1.915	0.229	0.000	13.6
SOUTH HOLLAND	1.869	1.917	0.095	0.047	2.6
SOUTH KESTIVEN	2.477	2.486	0.067	0.058	0.4
WEST LINDSEY	1.699	1.788	0.177	0.088	5.2
TOTAL OF DISTRICTS	14.824	15.196	0.800	0.428	
NORFOLK					
BRECKLAND	2.162	2.195	0.244	0.211	1.5
BROADLAND	1.990	1.933	-0.012	0.045	-2.9
GREAT YARMOUTH	3.002	3.059	0.137	0.080	1.9
NORTH NORFOLK	2.024	2.023	-0.106	-0.105	0.0
NORWICH	4.393	4.396	0.205	0.202	0.1
SOUTH NORFOLK	1.506	1.506	0.009	0.009	0.0
WEST NORFOLK	3.177	3.134	-0.018	0.025	-1.4
TOTAL OF DISTRICTS	18.254	18.246	0.459	0.467	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE	REVISED BUDGET	SAVINGS REQUESTED	SAVINGS ACHIEVED	VOLUME EXCESS AS % OF TARGET
	EMILLIONS	EMILLIONS	EMILLIONS	EMILLIONS	%
NORTHAMPTONSHIRE					
CORBY	2.057	1.885	0.253	0.425	-8.4
DAVENTRY	1.151	1.183	0.131	0.099	2.8
EAST NORTHAMPTON	1.158	1.213	0.113	0.058	4.7
KETTERING	1.922	1.866	-0.010	0.046	-2.9
NORTHAMPTON	4.830	4.733	-0.040	0.057	-2.0
SOUTH NORTHAMPTON	0.927	0.927	0.175	0.175	0.0
WELLINGBOROUGH	0.869	0.788	0.015	0.096	-9.3
TOTAL OF DISTRICTS	12.914	12.595	0.637	0.956	
NORTHUMBERLAND					
ALNWICK	0.723	0.762	0.143	0.104	5.4
BERWICK-UPON-TWEED	0.684	0.680	0.063	0.067	-0.6
BLYTH VALLEY	2.599	2.931	0.332	0.000	12.8
CASTLE MORPETH	1.073	1.245	0.172	0.000	16.0
TYNEDALE	1.403	1.402	0.205	0.206	-0.1
WANSBECK	2.755	2.896	0.159	0.018	5.1
TOTAL OF DISTRICTS	9.237	9.916	1.074	0.395	
NORTH YORKSHIRE					
CRAVEN	1.419	1.496	0.092	0.015	5.4
HAMBLETON	1.627	1.622	-0.014	-0.009	-0.3
WARROGATE	4.148	4.658	0.290	-0.220	12.3
RICHMONDSHIRE	1.320	1.340	0.080	0.060	1.5
RYEDALE	1.834	1.817	0.038	0.055	-0.9
SCARBOROUGH	4.250	4.109	0.046	0.187	-3.3
SELBY	2.246	2.185	-0.061	0.000	-2.7
YORK	2.852	2.830	0.024	0.046	-0.8
TOTAL OF DISTRICTS	19.696	20.057	0.495	0.134	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
NOTTINGHAMSHIRE					
ASHFIELD	2.510	2.655	0.167	0.022	5.8
BASSETLAW	2.838	3.168	0.330	0.000	11.6
BROXTOWE	2.604	2.528	0.017	0.093	-2.9
GEDLING	2.253	2.360	0.211	0.104	4.7
MANSFIELD	2.392	2.842	0.679	0.229	18.8
NEWARK	2.139	2.114	0.025	0.000	-1.2
NOTTINGHAM	10.836	11.066	0.796	0.566	2.1
RUSHCLIFFE	2.576	2.570	0.250	0.256	-0.2
TOTAL OF DISTRICTS	28.148	29.303	2.425	1.270	
OXFORDSHIRE					
CHERWELL	2.473	2.826	0.353	0.000	14.3
OXFORD	3.032	3.011	0.003	0.024	-0.7
SOUTH OXFORDSHIRE	2.940	2.841	0.041	0.140	-3.4
VALE OF WHITE HORSE	2.294	2.275	0.192	0.173	-0.8
WEST OXFORDSHIRE	1.701	1.707	0.135	0.129	0.4
TOTAL OF DISTRICTS	12.440	12.660	0.340	0.120	
SALOP					
BRIDGNORTH	1.042	0.967	0.075	0.000	-7.2
NORTH SHROPSHIRE	1.208	1.208	0.026	0.026	0.0
OSWESTRY	0.761	0.761	0.006	0.006	0.0
SHREWSBURY & ATCHAM	2.130	2.205	0.112	0.037	3.5
SOUTH SHROPSHIRE	0.903	0.902	0.143	0.144	-0.1
THE WREKIN	3.944	4.118	0.307	0.133	4.4
TOTAL OF DISTRICTS	9.988	10.161	0.519	0.346	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

D.

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
SOMERSET					
MENDIP	1.658	1.658	0.050	0.050	0.0
SEDGEMOOR	2.720	2.657	0.087	0.150	-2.3
TAUNTON DEANE	2.070	2.049	0.054	0.075	-1.0
WEST SOMERSET	0.655	0.681	0.041	0.015	4.0
YEOVIL	2.619	2.817	0.404	0.206	7.6
TOTAL OF DISTRICTS	9.722	9.862	0.636	0.496	
STAFFORDSHIRE					
CANNOCK CHASE	1.656	1.964	0.323	0.015	18.6
EAST STAFFORDSHIRE	1.950	2.011	0.168	0.107	3.1
LICHFIELD	1.899	1.889	0.131	0.141	-0.5
NEWCASTLE UNDER LYME	3.280	3.835	0.555	0.000	16.9
SOUTH STAFFORDSHIRE	1.862	1.984	0.207	0.085	6.6
STAFFORD	2.566	2.638	0.161	0.089	2.8
STAFFS. MOORLANDS	2.077	2.229	0.169	0.017	7.3
STOKE-ON-TRENT	7.247	7.666	0.419	0.000	5.8
TAMWORTH	1.654	1.531	-0.123	0.000	-7.4
TOTAL OF DISTRICTS	24.191	25.747	2.010	0.454	
SUFFOLK					
BABERGH	1.567	1.588	-0.166	-0.187	1.3
FOREST HEATH	1.172	1.353	0.434	0.253	15.4
IPSWICH	3.499	4.494	0.993	-0.002	28.4
MID SUFFOLK	1.471	1.534	0.159	0.096	4.3
ST. EDMUNDSBURY	2.109	2.069	-0.040	0.000	-1.9
SUFFOLK COASTAL	2.458	2.422	0.013	0.049	-1.5
WAVENEY	2.711	2.789	0.034	-0.044	2.9
TOTAL OF DISTRICTS	14.987	16.249	1.427	0.165	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

DA

	TARGET EXPENDITURE	REVISED BUDGET	SAVINGS REQUESTED	SAVINGS ACHIEVED	VOLUME EXCESS AS % OF TARGET %
	EMILLIONS	EMILLIONS	EMILLIONS	EMILLIONS	
SURREY					
ELMBRIDGE	3.679	3.675	0.117	0.121	-0.1
EPSOM AND EWELL	2.448	2.448	0.089	0.089	0.0
GUILDFORD	2.918	3.207	0.399	0.110	9.9
MOLE VALLEY	2.156	2.154	0.054	0.056	-0.1
REIGATE AND BANSTEAD	3.231	3.740	0.721	0.212	15.8
RUNNYMEDE	1.822	1.700	-0.122	0.000	-6.7
SPELTHORNE	2.779	2.735	-0.118	-0.074	-1.6
SURREY HEATH	1.793	1.941	0.148	0.000	8.3
TANDRIDGE	1.721	1.767	0.092	0.046	2.7
WAVERLEY	3.166	3.165	0.024	0.025	0.0
WOKING	1.710	1.709	0.070	0.071	-0.1
TOTAL OF DISTRICTS	27.423	28.241	1.474	0.656	
WARWICKSHIRE					
NORTH WARWICKSHIRE	1.558	1.551	0.054	0.061	-0.4
NUNEATON	3.863	4.126	0.414	0.151	6.8
RUGBY	2.432	2.462	0.033	0.003	1.2
STRATFORD-ON-AVON	2.556	2.458	-0.095	0.003	-3.8
WARWICK	2.969	3.036	0.271	0.204	2.3
TOTAL OF DISTRICTS	13.378	13.633	0.677	0.422	
WEST SUSSEX					
ADUR	1.786	2.225	0.450	0.011	24.6
ARUN	3.679	3.664	0.076	0.091	-0.4
CHICHESTER	2.487	2.487	-0.106	-0.106	0.0
CRAWLEY	2.280	2.981	0.741	0.040	30.7
HORSHAM	2.081	2.061	-0.043	-0.023	-1.0
MID SUSSEX	2.896	3.254	0.358	0.000	12.4
WORTHING	3.714	3.764	0.241	0.191	1.3
TOTAL OF DISTRICTS	18.923	20.436	1.717	0.204	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGEY EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
WILTSHIRE					
KENNET	1.533	1.574	0.101	0.060	2.7
NORTH WILTSHIRE	2.202	2.375	0.181	0.008	7.9
SALISBURY	2.070	2.050	0.231	0.251	-1.0
THAMESDOWN	4.640	4.270	-0.742	-0.372	-8.0
WEST WILYSHIRE	1.693	1.769	0.120	0.044	4.5
TOTAL OF DISTRICTS	12.138	12.038	-0.109	-0.009	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
CLWYD					
ALYN AND DEESIDE	2.655	2.576	-0.079	0.000	-3.0
COLWYN	2.036	2.034	0.023	0.025	-0.1
DELYN	2.516	2.516	0.010	0.010	0.0
GLYNDWR	1.518	1.657	0.219	0.080	9.2
RHUDDLAN	3.381	3.166	-0.215	0.000	-6.4
WREXHAM MAELOR	4.008	4.250	0.242	0.000	6.0
TOTAL OF DISTRICTS	16.114	16.199	0.200	0.115	
DYFED					
CARMARTHEN	2.095	2.085	0.154	0.164	-0.5
CEREDIGION	1.957	2.011	0.260	0.206	2.8
DINEFWR	1.205	1.205	0.135	0.135	0.0
LLANELLI	3.289	3.292	0.152	0.149	0.1
PRESELI	2.230	2.201	0.041	0.070	-1.3
SOUTH PEMBROKESHIRE	1.558	1.577	0.007	-0.012	1.2
TOTAL OF DISTRICTS	12.334	12.371	0.749	0.712	
GWENT					
BLAENAU GWENT	3.421	5.011	1.590	0.000	46.5
ISLWYN	2.720	2.752	-0.001	-0.033	1.2
MONMOUTH	2.659	2.519	-0.165	-0.025	-5.3
NEWPORT	5.381	6.092	0.711	0.000	13.2
TORFAEN	4.241	4.802	0.577	0.016	13.2
TOTAL OF DISTRICTS	18.422	21.176	2.712	-0.042	

VOLUME EXCESS : ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE EMILLIONS	REVISED BUDGET EMILLIONS	SAVINGS REQUESTED EMILLIONS	SAVINGS ACHIEVED EMILLIONS	VOLUME EXCESS AS % OF TARGET %
GWYNEDD					
ABERCONWY	2,576	2,866	0,290	0,000	11.3
ARFON	2,142	2,207	0,200	0,135	3.0
DWYFOR	1,008	1,064	0,120	0,064	5.6
MEIRIONNYDD	1,297	1,521	0,229	0,005	17.3
YNYS MON	2,740	2,840	0,100	0,000	3.6
TOTAL OF DISTRICTS	9,763	10,498	0,939	0,204	
MID GLAMORGAN					
CYNON VALLEY	3,413	3,413	0,199	0,199	0.0
MERTHYR TYDFIL	3,493	3,906	0,478	0,065	11.8
OGWR	5,124	5,121	0,851	0,854	-0.1
RHONDDA	4,749	4,835	0,514	0,428	1.8
RHYMNEY VALLEY	5,106	4,918	0,188	0,000	-3.7
TAFF-ELY	3,713	3,935	0,222	0,000	6.0
TOTAL OF DISTRICTS	25,598	26,128	2,076	1,546	
POWYS					
BRECKNOCK	1,252	1,310	0,052	-0,006	4.6
MONTGOMERY	1,408	1,402	0,058	0,064	-0.4
RADNOR	0,683	0,681	0,026	0,028	-0.3
TOTAL OF DISTRICTS	3,343	3,393	0,136	0,086	
SOUTH GLAMORGAN					
CARDIFF	11,681	10,964	0,564	0,153	-6.1
VALE OF GLAMORGAN	3,004	4,165	1,896	0,735	38.6
TOTAL OF DISTRICTS	14,685	15,129	1,332	0,888	

VOLUME EXCESS ; ANALYSES OF REVISED BUDGETS (NOV 1979 PRICES)

	TARGET EXPENDITURE	REVISED BUDGET	SAVINGS REQUESTED	SAVINGS ACHIEVED	VOLUME EXCESS AS % OF TARGET %
	EMILLIONS	EMILLIONS	EMILLIONS	EMILLIONS	
WEST GLAMORGAN					
AFAN	3.273	3.309	0.181	0.145	1.1
LLIW VALLEY	2.136	2.120	0.163	0.179	-0.7
NEATH	2.105	2.278	0.210	0.037	8.2
SWANSEA	8.248	8.248	0.582	0.582	0.0
TOTAL OF DISTRICTS	15.762	15.955	1.136	0.943	

REVISED BUDGETS: INDIVIDUAL AUTHORITY RESULTS

Technical notes on the figures

1. The figures have been adjusted where necessary to follow the standard derivations which authorities were asked to use for consistency. In a few cases they may, therefore, differ from the figures submitted by authorities on their RER81B forms.
2. The stated amounts of "savings requested" and "savings achieved" both take account of amendments many authorities have made to their original budget returns to correct errors and misunderstandings. These figures, on average, therefore understate the extent to which the revised budgets show reductions over the budget figures submitted by authorities in April/May of this year.
3. Because of the way authorities draw up their budgets, the figures in these tables use a rather wider definition of expenditure volume than that used for the aggregate current expenditure target as published in Rate Support Grant orders.
4. In the case of the 13 authorities whose returns had not been received by DOE by 17 September, the original budget figures have been used.

Mr Malcolm Rifkind MP



SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

TELEPHONE: 01-233 3000

CONFIDENTIAL

PRIME MINISTER

SCOTTISH LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

In his minute of 12 September, Sir Robert Armstrong proposed to issue an amended version of the minutes of the Ministerial Committee on Economic Strategy on 10 September (E(80)32nd Meeting Minute 1), taking account of the alternative proposition then advanced by George Younger. In his minute of 16 September, the Chancellor of the Exchequer disagrees with this interpretation of the discussion - a view supported by the Secretary of State for the Environment.

Before his departure for Japan on 14 September, George Younger instructed me, in the event of disagreement about the record of this discussion, to request on his behalf that the matter should remain open to enable him to take part in person in any subsequent discussion, following his return from Japan at the end of next week.

In that event, it would not be possible to make an announcement on Thursday 18 September about the action to be taken in respect of overspending by local authorities in Scotland, in parallel with that to be made by the Secretary of State for the Environment. Since George Younger has already expressed his concern on 5 September to the Convention of Scottish Local Authorities about prospective overspending, and this has received wide publicity in Scotland, he considers that a short postponement of his announcement will be tolerable. The announcement for England and Wales will engender enquiries about the situation in Scotland. Such enquiries will be dealt with by reference to George Younger's earlier statements, and to the further consideration which he is giving to the matter with a view to an announcement shortly after his return from Japan.

I therefore seek on behalf of the Secretary of State for Scotland your agreement that the Ministerial Committee on Economic Strategy might give further consideration to the action to be taken in respect of local authority overspending in Scotland, and that meanwhile no announcement should be made in Scotland about this matter on 18 September, as originally proposed.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for the Environment and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'M Rifkind'.

(Approved by Mr Rifkind
and signed in his absence.)

17 September 1980

RECEIVED
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

17 SEP 1980

11 12 1 2 3 4 5 6 7 8 9 10



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

SCOTTISH LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

I have seen Robert Armstrong's minute of 12 September arguing for revision of our minuted decisions on local authority overspending in Scotland (E(80)32nd meeting, minute 1).

2. I disagree with his and George Younger's interpretation of the outcome of our discussions. I should certainly have argued against a decision on the lines of what is now proposed. It would seem wholly inconsistent to withhold RSG from authorities in England and Wales and not to do similarly in Scotland, notwithstanding the different statutory powers available North and South of the Border. It would seem particularly unfair to our own supporters in England and Wales, many of whom have made stringent cuts but will still be penalised. Conversely, very few firm savings have been identified by Scottish local authorities.

3. I therefore believe that, irrespective of what was actually said last Wednesday, our decision must be to withhold grant in Scotland as well as in England and Wales. If, after the year end, it is clear that the budgeted excesses have withered away, we can then reinstate the grant. In any case George Younger can redistribute it so as to match grant penalty to the degree of overspending which actually occurs.

CONFIDENTIAL



4. I am copying this minute to Michael Heseltine, George Younger and Sir Robert Armstrong.

P.S. Jenkins

for (G.H.)

16 September 1980

Approved by the Chancellor and signed in his absence.
The Private Secretary to the Secretary of State
for the Environment has asked me to
record that Mr. Heseltine fully agrees with
this minute.

CONFIDENTIAL

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LABORATORY
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1980-29



Pravin Anandhi

2 MARSHAM STREET
LONDON SW1P 3EB

Local Govt

This seems alright. But
it is worth mentioning
excess pay settlements as
one of the reasons for
the over-spending; or if
settlements had been lower, we
would not be raising
the LA's bail.

My ref:

Your ref:

16 September 1980

✓ Mr Verker
✓ Mr Lykan
Mr Ashburn

Agree?

John John

LOCAL AUTHORITY SPENDING

TZ
16/9

Following the meeting of E Committee of 10 September I understand that officials in the local authority spending departments have already seen copies of the draft statement prepared for Thursday.

I now enclose a copy of the text as finally approved by my Secretary of State. He would be grateful for any comments that colleagues might have, if at all possible by 2.00 pm tomorrow, 16 September.

I am copying this to Tim Lankester at No. 10 and to the Private Secretaries of all members of E Committee.

As ever,

D A Edmonds

D A EDMONDS
Private Secretary

Spoken to Environment -
pay settlement can't
be put in
Statement (which
has now been run
off); but - Attention

will mention in

his introductory

remarks.

John Wiggins Esq MP

TZ
16/9

DRAFT STATEMENT - 18 SEPTEMBER 1980

LOCAL AUTHORITY CURRENT EXPENDITURE : 1980/81

1. The original budget submitted in April by local authorities indicated a 'raw' planned excess on current expenditure of 5.6% (£740m) over the RSG settlement level. Local authorities' budgets historically overstate final outturn and I judged that this figure indicated that the likely outturn would in practice be 2-3% above the target. This view was subsequently endorsed by the work of the Expenditure Groups of the Consultative Council on Local Government Finance. I was not prepared to accept such a figure and I therefore called for revised budgets.
2. My Department has now analysed the 440 revised budgets out of a possible 458 covering some 99% of expenditure. The new budgets show a reduction of £390m compared with the original.

This is £350m (2.6%) above the target
for expenditure that I set.
3. The crucial judgement is the extent to which local authorities will actually spend below this budgetted figure. The position historically is as shown

VOLUME OF CURRENT EXPENDITURE - COMPARISON OF BUDGETS AND OUTTURN

Year	Original Budget	Revised Budget	Outturn
	% above RSG settlement assumption		
1976/77	4.7%	2.8%	-0.3%
1977/78	1.4%		-2.7%
1978/79	1.9%		-0.8%
1979/80	3.6%		0% (estimate)
1980/81	5.6%	2.6%	not available

4. I have had to take two important factors into account. First the underspending in earlier years took place against a rising path of expenditure. It is, arguably, easier to underspend when budgeting to increase than to get below budgets which are themselves reductions from previous outturn. Secondly, 70% of local authority current expenditure is accounted for by manpower. If, therefore, I were now to be totally satisfied that the excess will disappear this year, I would need to be convinced that the manpower reductions were moving much faster than they did in the figures for the three quarters to March 1980.

5. The Joint Manpower Watch figures for the quarter ending June 1980 which are being announced separately today are therefore particularly significant. They show the first signs that the necessary manpower reductions are beginning to come through - briefly a decrease of about 30,000 full time equivalents (1.4%) between June 1979 and June 1980. This represents the largest ever reduction in local authority manpower achieved in one year. It compares with the previous highest figure of 22,000 achieved by Peter Shore in 1976/77 and it exceeds this previous years figure by 36%. Nevertheless, if the target for 1980/81 were to be achieved, considerable further reductions in manpower are required in the next 3 quarters of the current year.

6. These two considerations, therefore, lead me to conclude that, while there are indications that the downward trend is under-way, I must take a cautious and conservative view of the likely outcome in 1980/81. There is, of course, an element of judgement in this but I believe that we must assume that there remains the possibility that the eventual outturn could still be an excess of some £200m.
7. Clearly, such an overspend would be unacceptable. Public expenditure targets are too important to disregard any over-spending. I have therefore concluded that I must take action on two levels. First, I propose to take action against those authorities who have blatantly disregarded the Government's exhortations to reduce their expenditure. I shall, therefore, subject to the approval by Parliament of the Local Government Bill, implement the transitional arrangements so as to reduce grant to those authorities with rates above a threshold level of 155p unless at the time when the transitional arrangements Order is presented to Parliament they can be shown to have made exceptional efforts to hold down their rateborne expenditure in the current year or to have achieved their two year volume target as requested in the call for revised budgets. I attach a list of these authorities and the effect on each of the announcement I am making: this is subject, of course, to any further changes in their finances which might affect their eligibility for waiver.
8. At the same time, I shall not add to the high levels of those partnership and programme authorities who have refused to co-operate with the Government. To the extent, therefore, that expenditure has not been firmly committed for 1981/82 for the London Boroughs of Hackney, Islington and Lambeth, I propose to withhold urban programme grant from them and make it available to other urban programme authorities.
9. Finally, I propose to withhold £200m of rate support grant when I make the first Increase Order for 1980/81 in November. In doing so I appreciate that such a reduction does not discriminate between those who have made great efforts to reduce their expenditure and those who have not. I greatly regret that I have no statutory powers to do this although next year with the introduction of block grant I shall be able to differentiate

between the prudent and the profligate. I am however aware, too, of the possibility that if past trends are repeated the eventual outturn could fall below the £200m excess. I shall not therefore cut the cash limit irreversibly. Instead I intend to withhold £200m until I reconsider the cash limit in November 1981 when I make the Second Increase Order. I shall then have a clearer view of the 1980/81 outturn and can make a judgement as to the extent to which it is fair to release the £200m or any part of it to local authorities. I believe this to be fair and equitable in that it will provide local government with a massive incentive to repeat its achievements of earlier years by keeping its expenditure within the Government's guidelines.

10. I should say that I have considered acting to secure reductions on the capital programme of local authorities both this year and next to secure part of the economies required. I have rejected these options for two reasons. First, it is more important to seek reductions in current as opposed to capital public expenditure and second I have much sympathy with the arguments advanced by the construction industry against further reductions in their workload.

11. In conclusion, I must add that my colleagues and I are grateful to all those many authorities who have made such strenuous efforts to produce the considerably reduced aggregate figure which I have presented today.

THE RSG TRANSITIONAL ARRANGEMENTS

1. The application of the transitional arrangements is subject to the enactment of the relevant provisions of the Local Government, Planning and Land Bill, and Parliamentary approval of the appropriate Order. The legislation provides for reductions in grant to be applied to authorities whose uniform rates (adjusted in the case of London authorities to discount the resource advantage left with London in recent RSG settlements so as to help keep rate bills down) in 1980/81 are above the 119p "notional uniform rate" that would apply in areas where authorities were spending in line with their expenditure need assessments.
2. The Secretary of State has discretion to limit the application of the arrangements and has previously indicated that relatively few - almost certainly not more than 20 - authorities would suffer grant reductions under the scheme. The limitation on the scope of the scheme will apply as follows:
 - (a) authorities will be liable for grant reductions only if their uniform/adjusted uniform rate is above 155p (ie more than 30% higher than the notional uniform rate);
 - (b) authorities within this category will nevertheless be exempted if either they have contained their expenditure in the current year (by providing for a cash increase at least three percentage points below the average for their class) or met their two-year public expenditure volume targets;
 - (c) in addition the City of London, whose exceptionally high adjusted uniform rate arises from the fact that its services are provided predominantly for a non-resident population (its night-time population is less than one sixtieth of its day-time population) will be excluded.
3. The scale of grant abatement will be an amount equivalent to a penny rate for the authority concerned plus an amount equivalent to one twentieth of a penny rate for each penny by which the authority's uniform/adjusted uniform rate exceeds the threshold level of 155p. There will be a maximum abatement

equivalent to a 5p rate. The calculation of grant abatement will be subject to amendment where on application by the authorities affected it is shown that uniform rates have been increased by

- (a) expenditure on emergencies;
- (b) loss of rate income arising from steelworks closures;
- (c) rate fund contributions to urban programme expenditure.

4. Subject to any such amendments, or to any further changes in authorities' finances before the transitional arrangements Order is presented to Parliament which would affect their eligibility for the waiver arrangements set out in 2(a) and (b) above, the transitional arrangements Order will provide for grant reductions as set out in the table below.

	Uniform/ adjusted uniform rates above 155p p	Difference from class average (a) of % increase in rate and RSG borne expenditure 79/80 budget to 80/81 budget	1980/81 revised volume excess %	Grant reduction	
				Amount £m	 poundage
City of London (b)	£160.357	--	--	--	--
Camden	265.53	+ 2.6	12.7	5.22	5.00
Islington	230.67	+ 5.5	5.0	2.42	4.78
Southwark	215.91	+ 1.4	0 (c)	--	--
Tower Hamlets	209.67	+ 3.2	19.0	1.55	3.73
Lambeth	207.59	+ 3.1	11.7	2.10	3.63
Haringey	192.42	+ 2.2	-- 0.8 (c)	--	--
Hackney	189.93	+ 1.8	21.5	1.01	2.75
Lewisham	180.58	+ 2.3	11.9	0.97	2.28
Newcastle-upon-Tyne	178.54	+ 1.1	3.4	1.31	2.18
Hammersmith & Fulham	165.94	-- 0.3	3.2	0.51	1.55
Swansea	165.04	+ 1.7	0 (c)	--	--
Brent	163.28	+ 4.5	12.3	0.71	1.41
Waltham Forest	162.04	+ 7.9	7.4	0.53	1.35
Newham	160.48	+ 0.6	-- 2.9 (c)	--	--
Manchester	159.05	-- 5.1 (c)	2.0	--	--
Hounslow	158.07	+ 4.8	9.2	0.55	1.15
Greenwich	157.86	-- 0.6	4.6	0.41	1.14
Afan	157.06	-- 1.9	1.1	0.11	1.10
Doncaster	156.73	+ 0.1	-- 0.3 (c)	--	--
Sheffield	156.05	-- 0.4	-- 0.1 (c)	--	--
Wandsworth	155.83	-- 7.0 (c)	-- 3.8 (c)	--	--
Merthyr Tydfil	155.43	-- 3.5 (c)	11.8	--	--

Notes: (a) Class averages are

- Metropolitan authorities 22.6%
- Non-metropolitan authorities England 21.5%
- Non-metropolitan authorities Wales 21.7%
- London authorities 19.9%

(b) exempted.

(c) qualifies for waiver.



176 SEP 1980



C O N F I D E N T I A L



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

19/9/80 16 September 1980

Thank you for your letter of 11 September.

As you say, the latest figures show that Afan would not qualify for the waiver on the basis of the tests agreed by E Committee - a real reduction in rate borne expenditure or achievement of volume targets. There is always a problem of line-drawing in this sort of exercise, and Afan would of course get some abatement of its transitional arrangements penalty to allow for loss of rate income arising from steelworks closures.

It is possible simply to re-draw the line to let Afan out without affecting other authorities. At present we are expressing the rate borne expenditure test as a cash increase at least 3 percentage points below the average of the class; setting this at 1 percentage point instead would let out Afan alone. However, that result arises only because the London class average increase is so low. Greenwich and Hammersmith have actually increased their rate borne expenditure by less than Afan in percentage terms - though they have not succeeded in getting so far below their lower class average. This would be a source of embarrassment - particularly as with Afan out the list would be made up of Newcastle and eleven London authorities - and I do not feel that I could recommend this course.

But there is I think a more satisfactory way around this problem. I have slightly amended the wording I had originally intended in my statement - which has now been circulated to E Members - in a way that is consistent with the E Committee discussion - to leave it open to authorities to qualify for the waiver provided they succeed in meeting their volume targets before the transitional arrangements Order is presented next December. Since Afan's excess is so small, they should have little difficulty in achieving this; and one or two other authorities may be tempted to try as well.

I am sending copies of this letter to the other members of E Committee.

Yours ever
MICHAEL HESELTINE

The Rt Hon Nicholas Edwards MP

C O N F I D E N T I A L

16 SEP 1980

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16 SEP 1980

CONFIDENTIAL



Local Govt. ^M

10 DOWNING STREET

From the Private Secretary

Mr. Wright

The Prime Minister has read Sir Robert Armstrong's minute of 12 September about last week's discussion in E Committee on local authority spending. Provided the other Ministers most closely concerned are content, she agrees with the suggested amendment to the minutes. But she has commented that a sudden new proposal should not have been put to the Committee, which was contrary to the proposals in the Secretary of State's memorandum.

T. P. LANKESTER

15 September, 1980.

CONFIDENTIAL

TR

Ref. A02972

PRIME MINISTER

These amendments but
we cannot have
submit new proposals
perhaps a cabinet like
then - only way to
the the new ideas
no
provided the other key
minutes concerned are
content, are you happy
with the suggested amendment
to the minutes?

I am afraid that there is some confusion about the decision taken by the Ministerial Committee on Economic Strategy on 10th September about the action to be taken to eliminate overspending by local authorities in Scotland (E(80) 32nd Meeting, Minute 1).

2. In the memorandum which he circulated (E(80) 94) the Secretary of State suggested, in paragraph 7, that the amount to be paid under the first RSG Increase Order for 1980-81 might be abated by £40 million, with the local authorities being informed that the second Increase Order might provide for the payment of all or part of the abatement, provided that the outturn for 1980-81 did not disclose excess expenditure. If an excess was disclosed, the amount of Grant payable would be adjusted accordingly. The Secretary of State went on to refer to his powers to recover from individual authorities by selective action.

3. Our records show that at the meeting the Secretary of State for Scotland said that the overspend was expected to come down to very little or nothing by the end of the year, but that nonetheless he accepted that some action had to be taken now. He said that he would like to use his power to withhold Grant from any authority which was overspent. Under present powers he could not do this until after the outturn was known, and he was proposing to take legislation in order to do it during the course of the financial year. He said that he would prefer to proceed in this way and not to abate the RSG generally.

4. It was not clear to me from what the Secretary of State said at the meeting that he was in fact departing from the proposals in his memorandum, and abandoning the idea of abatement; and I am not sure that it would have been clear to other members of the Committee, since our records show that you invited the meeting to approve the proposals in the Secretary of State's paper, and that they did so without the Secretary of State demurring.

5. The Secretary of State has asked that I should revise the minutes in accordance with the proposal which he actually put to the Committee. There is clearly some confusion about what was actually agreed, and in the circumstances

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I propose to issue a corrected version of the minutes accordingly. The main amendment would be in your summing up, where the relevant sentence would read: "In Scotland the Secretary of State would not make a general abatement of RSG but would make it clear that, when the time came for the second Increase Order for 1980-81, he would use his powers to withhold Grant from those authorities who were overspent at the end of the year".

6. Before I circulate a revised version of the minutes, I should be grateful to know whether you are content. I am sending a copy of this minute to the Secretary of State for Scotland; I am also sending copies to the Chancellor of the Exchequer and the Secretary of State for the Environment, so that they should be aware of the background to the changes proposed and have a chance to comment if they think it necessary to do.



ROBERT ARMSTRONG

12th September, 1980

CONFIDENTIAL



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233-3415
Telex 262405

PLEASE NOTE EMBARGO

PLEASE CHECK AGAINST DELIVERY

NOT FOR PUBLICATION, BROAD-
CAST OR USE ON CLUB TAPES
BEFORE 1500 HOURS TODAY,
THURSDAY 11 SEPTEMBER 1980

CF -

p. 4 .

Extracts from a speech by the Chancellor of
the Exchequer, the Rt Hon Sir Geoffrey Howe, QC, MP,
at a conference of the Association of Metropolitan
Authorities at the GMC County Hall, Manchester.

12

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG
01-233 3415

147/80

Speaking today in Manchester to the Association of Metropolitan Authorities, the Chancellor of the Exchequer drew attention to the burden of rates on industry and employment.

"Perhaps the most damaging effect of rising rates is on local industry. If business is flat, or even temporarily in decline because of recession, it is very far from easy to cope with a rate demand 40, 30 or even 20 per cent up on the previous year. Heavy rates can cripple firms, destroying jobs and contributing to pressures towards bankruptcy. They certainly do not help firms to expand and create greater wealth.

"I have one example here. This is a letter from the Managing Director of a small manufacturing business in the North East currently employing 44 people. He writes that his firm "could quite easily generate enough new business to provide work for at least 20 more people. However, because of the unexpected huge rise in our rates" - he quotes an increase of 50 per cent - "we really dare not contemplate expansion on the scale envisaged for fear of crippling the business with these excessive overheads A 50 per cent increase in our floor area, which we were planning in the near future, will presumably result in a further increase in our rates, and this we just cannot absorb in a competitive business We are, therefore, scrapping our expansion plans." He then asks: "Do you want small business to expand and provide new jobs?"

"This is not an isolated example. Rates on the non-domestic sector have increased by 83 per cent over the three years 1976-77 to 1979-80. In the same period, the income of industrial and commercial companies grew by 64 per cent. The difference is the measure of the increased burden on business - the positive disincentive to firms to expand.

"This is not just a short-term phenomenon: 60 per cent of the

rate bill is now paid by the non-domestic ratepayer, compared with 51 per cent in 1965. Thus, the burden of non-domestic rates has now reached £4 billion, compared with £2.7 billion paid by the domestic ratepayer. And this increase has taken place at a time when British industry has had other troubles to contend with. In 1965, non-domestic rates were equivalent to only 14 per cent of gross trading profits. By 1975, the proportion was three times as great."

The Chancellor went on to discuss local authorities' response to the Government's request for revised budget returns.

"Michael Heseltine and I are grateful to local authorities for sending in new returns of expenditure. We appreciate that the extra work involved cannot have been easy to fit in at a time when you are starting to think further ahead. But the exercise was unavoidable given the unacceptable excess in the original Budget plan. We believe that we now have a truer picture of local governments' intentions for the rest of this year."

"We are now considering how best to respond. The job of analysing the aggregate effects of the revised budgets is nearly complete. When it is, we will decide quickly what our next moves are to be. Obviously you will not expect me to anticipate a collective decision. What I can tell you is that unless we are convinced that the planned current expenditure excess will not materialise, we will not hesitate to take action necessary to minimise the risk of any overspending. The public expenditure totals are too important for us to do otherwise. I have explained the wider economic effects of local authority overspending. They would be grave indeed; and neither Michael Heseltine nor I is prepared to sit back meekly and accept them.

"But I hope that, between us, we can steer local authority spending back on course. Otherwise there will be no hope of

your achieving the extra two per cent reductions which we have told you we want for next year. In case anyone thinks that we are asking local authorities to do the impossible, let me repeat my central message. If we do not achieve substantial reductions in public expenditure all round - and that must include local government too - if we do not cut public expenditure, we cannot hope to control inflation without an excessive burden on the rest of the economy. And if we cannot do that, the economic future of this country looks grim."

In particular, the Chancellor spoke of the need for restraint in payroll costs.

"There is one aspect of local authority spending on which I want to concentrate particularly. That is spending on manpower. The pay bill amounts to about 70 per cent of local authority current spending. If spending is to be restrained, then so must the pay bill.

"The various Clegg awards and other comparability settlements have altogether added as much as £1½ billion to local authority pay bills. Over the last two years, local authorities' costs may have risen in aggregate by as much as two per cent more than the general rate of inflation. If we are to meet our objectives for the economy as a whole these trends cannot continue. At a time like this, large pay rises in any part of the public sector would be bitterly resented. Workers in manufacturing and elsewhere, faced with a world recession, are having to take cuts in their real wages in order to preserve their jobs. The public sector must face a discipline at least as stern: any attempt to exempt itself could only be at the cost of the rest of the community. There can be no reason in equity - let alone in economic sense - to let that happen.

"Far too many slogans are brandished in discussion of pay. Like all such formulae, they do not reflect the reality of

the world we live in but obscure it.

"It is absurd to speak of 'the need to keep pace with inflation', regardless of circumstances. There can be no question of 'a norm' or the need for 'catching up'.

"Claims based on catching up have been particularly unfair to - and resented by - those whose pay and jobs have been immediately threatened by recession and inflation.

"How can you explain to a man who has just lost his job in industry that a pay settlement based on comparability is 'only catching up' with the pay level that he no longer receives? Consider another aspect of this kind in comparison and look for a moment at the figures for redundancy payments between 1975 and 1979. Of 1,400,000 such payments, not even 20,000 went to Government and NHS employees and others in public administration. That is, 98.5 per cent of redundancies so compensated took place outside these public service groups. Again, claims of unfair dismissal are much more common in the private than in the public sector; last year only two per cent were from those in public administration. Moreover, public sector employees often enjoy the benefit of retirement at an earlier age than others - generally on an inflation-proof pension. Not much of this is ever mentioned by those who talk of 'catching up'.

"There is no question then of central government funding any level of pay settlements that might emerge from the machinery for the negotiation of local government pay. It is our responsibility to set a limit on that part of local government expenditure which we finance through the rate support grant. The cash limit we set on that must be consistent with what the nation and the taxpayer can afford. And so must all our cash limits. Those for the coming year will have to allow for significantly lower increases in cash spending than were allowed for in the present year's limits. I am encouraged by recent statements from local government representatives which seem to recognise this possibility and its implications for the next pay round."

95/10

SWYDDFA GYMREIG

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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

cc. B. Russ (w)

Perms Sec

Mr C. H. Morris

Mr R. A. Lloyd-Jones

Mr P. J. H. Jones

Mr R. D. Peter

Mr M. G. Jones

11 September 1980

De Michael

R

17/5

RSG TRANSITIONAL ARRANGEMENTS

I am sorry that my delayed return from the United States prevented me from attending the meeting of E Committee yesterday which discussed your paper E(80)93. I have heard that approval was given to the implementation of the transitional arrangements along the lines you proposed.

Annex D to your paper contained a list of authorities which would be prima facie liable to penalty under your proposals, with asterisks against those which appeared to escape under the waiver you proposed. I was glad to see that the list contained only three Welsh local authorities, and that all of them were noted as qualifying under the waiver.

Unhappily I now learn that one of them, Afan, turns out to just fail to qualify. It is so close to the line that the original mistake is understandable. On the basis of the revised RER it submitted Afan is only 1.1% in excess of the volume target, and is less than £4,000 short of qualifying on the other leg of the waiver, a reduction in real terms in rateborne expenditure between last year and this.

When Afan sent us their revised RER, the covering letter said that there would be a substantial saving on the revised total of £3,309,000 from decisions which had been made on standards of overtime. It seems to me certain that these savings will amount to more than £4,000.

A further consideration is that the penalty to which Afan would be subject under the transitional arrangements amounts to some £108,000. This is surely wholly disproportionate to a putative overspend of under £4,000.

/Taking all

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB



Taking all these factors into account it seems to me it would be quite wrong to penalise Afan under the transitional arrangements. It made a real effort to trim its Budget this year (from an overspend of 5.53% to one of 1.1%) and it seems certain that in the event it will not overspend at all. The penalty would be very severe, and I could not defend it in the circumstances. We must also remember that Afan is facing great problems from the rundown in the steel industry.

I would therefore be grateful if you could agree that Afan should be confirmed as exempt from the application of the transitional measures.

/ I am copying this letter to the Chancellor of the Exchequer.

James Am
Nick

17 SEP 1980



9 September 1980

Tim

Cre Govt

PRIME MINISTER

LOCAL AUTHORITY CURRENT EXPENDITURE, 1980/81: E TOMORROW

1. Michael Heseltine considers six options for limiting local authority spending at paragraph 8 of his paper. We think that option (iii) - selective action requiring overspending authorities to submit their budgets or rate increases to a local referendum or election - should not be simply ruled out without further thought as too novel or too difficult.
2. Michael may be right to try block grant first. But this should not prevent further preliminary work being done to reduce the lead time needed to introduce selective action if, in the end, it becomes necessary. If it were publicly known that such work was being undertaken, the ensuing controversy might help to raise the level of public interest in local authority spending in the meantime. The idea may "bristle with practical difficulties", but what radical assaults on tough problems don't? It may well be "highly controversial legislation". But local government overspending and the rape of the ratepayer are themselves "bristling and controversial".
3. In any event, we strongly support the principle that those who pay rates should be able to speak clearly and directly, on this single issue, to those that spend them. Local referenda are the ideal way of doing this. Of course, there will be many practical objections to introducing such a completely new concept. But, as with so many issues, it is likely that commonsense public opinion is well ahead of the various interest groups who would prefer to exploit the present system. It would be easy to test this proposition by measuring public opinion.
4. I am copying this minute to Geoffrey Howe.



JOHN HOSKYNS

CONFIDENTIAL

PRIME MINISTER

Local Authority Current Expenditure 1980-81
(E(80) 93 and 94)

BACKGROUND

These papers by the Secretaries of State for the Environment and for Scotland make recommendations to deal with the likely overspend on current account by local authorities in 1980-81. Following the revised budgets presented in August, the planned excess in England and Wales has been reduced to £350 million. The Secretary of State for the Environment advises that with allowance for likely short-fall it would be prudent to assume an excess of around £200 million. The Secretary of State for Scotland judges that without further action his excess will be around £40 million.

2. The Secretary of State for the Environment sets out his proposals for dealing with this in paragraph 8 of E(80) 93. He rejects:-

- (i) A capital moratorium in 1980-81 - saves only £40 million; damaging to the construction industry.
- (ii) Holding back capital allocations for 1981-82 - could be circumvented; reduces capital investment to protect current expenditure.
- (iii) Selective action to deal with individual offenders - not possible without major and controversial legislation.

He recommends -

- (iv) Under the present transitional arrangements a grant cut on most authorities with rates above the threshold level of 155p - the total penalty would be £17.4 million and the cuts by individual authority are listed in Annex D.
- (v) Reordering of the Urban Programme for 1981-82 to penalise the highest spending authorities - negligible savings, but a means for disciplinary action.

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3. His main proposal, in paragraph 8(vi), is to penalise authorities as a whole by an adjustment to the total of the cash limited Rate Support Grant for 1980-81. The bulk of the grant is issued during the course of the financial year but further amounts are paid through Increase Orders which are made one year and two years after the original grant settlement. These payments give scope for implementing either of the alternatives discussed -

- (a) To reduce the cash limit now by £200 million and to reduce the Increase Orders accordingly (as proposed in paragraph 8(vi)); or
- (b) not to adjust cash limits now but to withhold the £200 million at the first Increase Order in November 1980 and to reconsider the position at the second Increase Order in November 1981 when a clearer picture of the 1980-81 outturn will be available.

The second course would appear fairer in that it threatens punishment but only inflicts it if the authorities refuse to repent.

4. The Secretary of State for Scotland recommends that he should deal with his prospective overspend of £40 million by using the second of the alternatives put forward by the Secretary of State for the Environment - namely, to threaten abatement of the cash limit but not to act now. He also proposes to use his powers to reduce Rate Support Grant selectively where individual authorities have incurred excessive or unreasonable expenditure (there are no similar powers in England and Wales).

5. As a separate matter, the Secretary of State for the Environment was asked by E in July (E(80) 24th Meeting, Item 1) to consider whether there were any other means which could be used to bring local authority finances under greater control and to deal with the disadvantaged position of industrial and commercial ratepayers. He discusses this in Annex C of E(80) 93 but concludes that none of the available possibilities is at all attractive. I understand that he may consider this further in the course of his current review of possible alternatives to the rating system which he will probably discuss informally with the Chancellor of the Exchequer, and subsequently with you, in the near future.

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HANDLING

6. After the Secretaries of State for the Environment and for Scotland have introduced their papers it may be easier to deal with England and Wales first. You will wish to cover the following questions:-

- (a) For England and Wales is the estimate of £200 million overspend realistic?

Some Ministers may well argue that in the light of past experience, and the evidence that manpower savings are now being made, it is unduly pessimistic. On the other hand past underspending has been mainly on increasing budgets and, according to paragraph 4 of E(80) 93, a further 90,000 staff will have to be cut by March 1981 if targets are to be met.

- (b) What action should be taken on the cash limit?

While there is room for argument on the likely excess the Committee may well accept that some action needs to be taken now. Uncertainty over the outturn points to the solution in paragraph 10 of E(80) 93 - that is, to abate the first Increase Order but not to take final decisions until more is known of the actual outturn.

- (c) Should authorities with high rates be penalised?

This is the proposal in paragraph 8(iv). The Committee will wish to note the detailed list in Annex D.

- (d) Should the urban programme be reordered?

This is the proposal in paragraph 8(v) designed to hit those high spending authorities who are benefitting from the urban programme. Treasury Ministers may have views on whether any amounts withdrawn should be re-distributed elsewhere or simply logged as savings.

- (e) Are the proposals for Scotland acceptable?

The main issue here is whether to cut the cash limit now or, as the Secretary of State for Scotland would prefer, to defer a final decision until the outturn is known. Any difference in approach between Scotland and England and Wales would have to be justified.

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CONCLUSIONS

7. You will wish to record conclusions:-

(i) For England and Wales on:-

- (a) whether to adjust the cash limit now (paragraph 8(vi) of E(80) 93) or later (paragraph 10), and on how much - £200 million? - to hold back at this stage;
- (b) the proposals in paragraph 8(iv) for penalising high rating authorities under the transitional arrangements;
- (c) the proposals in paragraph 8(v) for reordering the urban programme;
- (d) the timing of an announcement of the Committee's decision.

(ii) For Scotland on whether to abate the cash limit now or later, whether to withhold £40 million as proposed, and on the timing of the announcement.



Robert Armstrong

9th September 1980

FILE

VLB

Mayor of LLANGEFNI

12/9

cc DOE

Chase pls.

4 September 1980

✓ phoning

On its way 25/9.

Back 22/9

Again pls.

I should be grateful if you would let me have a draft reply for the Prime Minister to send to the attached letter from the Mayor of Llangefni about the oil revenues which the Anglesey Borough Council now receives from the oil terminal at Amlwch.

I am sending a copy of this letter and of Councillor Evans' letter to David Edmonds (D.O.E.).

C A WHITMORE

John Craig, Esq.,
Welsh Office.

2/28

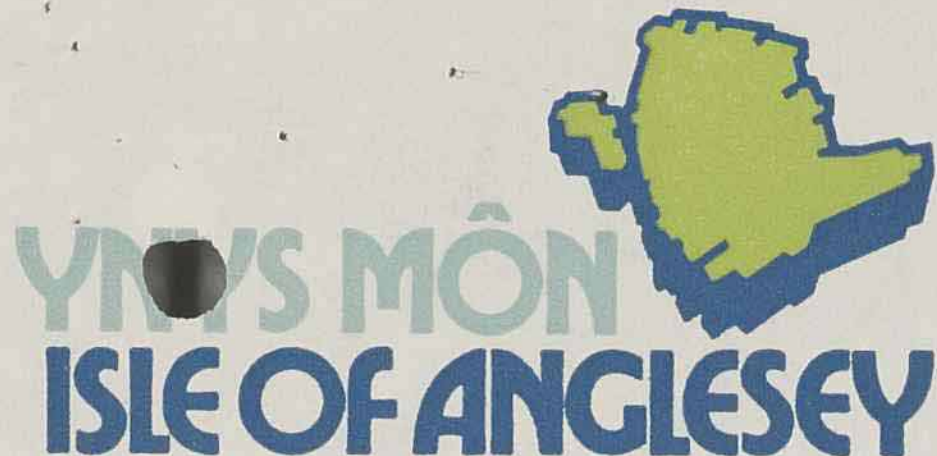
4 September 1980

I am writing on behalf of the Prime Minister, who is at present out of London, to thank you for your letter of 3 September about your Council's oil revenues.

A full reply will be sent to you as soon as possible.

C A WHITMORE

The Mayor of Llangefni



His Worship The Mayor, Councillor Keith Evans/
Ei Deilyngdod y Maer, Y Cyngorydd Keith Evans

Parlwr y Maer,
Swyddfa'r Cyngor Bwrdeistref,
LLANGFNI,
Ynys Môn
LL77 7TW.
Rhif:-722920.

Mayor's Parlour,
Borough Council Office,
LLANGFNI,
Anglesey.
LL77 7TW.
Tel:-722920.

24
3rd September, 1980

The Right Honourable Mrs. Margaret Thatcher M.P.,
Prime Minister,
10 Downing Street,
London.

Dear Prime Minister,

May I firstly take the opportunity of thanking you for undertaking your recent visit to Anglesey. It was a great pleasure and privilege to have had lunch with you and to have been given the opportunity to raise and discuss certain issues with you, which are of concern to us on the Isle of Anglesey.

You will recall that one such issue was the effect that the Government's proposed new local government capital expenditure controls would have on the Oil Revenues which the Isle of Anglesey Borough Council receive from the Oil Terminal at Amlwch - an issue which is causing us considerable anxiety.

THIS IS AN UNIQUE ARRANGEMENT IN ENGLAND AND WALES, WHEREBY THE COUNCIL RECEIVE A LEVY ON EACH TONNE OF CRUDE OIL WHICH SHELL U.K. OIL LIMITED IMPORT THROUGH THE TERMINAL.

I do not consider that there is a need to summarise the long and detailed history involved in the securing of this deal, but would be very willing to do so if you required it.

As you are aware, under the new capital expenditure controls system, local authorities will each be given a single block allocation for all capital requirements, irrespective of the source of finance. This will be an 'expenditure' control system and not a 'borrowing' control system, as we know at present.

The Oil Revenues are receivable under the provisions of Section 50 to 53 of the Anglesey Marine Terminal Act 1972, and as such become a statutory payment by Shell U.K. Limited under a financial agreement with them.

We have been guaranteed an income of £5.2 million over the 10 year period to 1988. It will average at £½ million per annum; is presently at the level of £350,000 per annum, and will increase to £800,000 in the 10th year.

/...

It is stated in the Marine Terminal Act that the Council are to use the money "for any purpose which in their opinion is solely in the interests of the Island of Anglesey or its inhabitants."

The Council have, since the first Oil Revenues were received in 1977/78, applied the greater part of the money to capital schemes on the Island, particularly the provision of recreational and community facilities.

The money has also been used to assist voluntary and religious organisations to finance some of their running and maintenance costs and to provide materials to enable Manpower Services Commission schemes to be implemented, in order to improve the employment situation.

IN VIEW OF THE FACT THAT THE OIL REVENUES ARE AN ALMOST UNIQUE SOURCE OF FUNDS, THE RECEIPT OF WHICH IS SPECIFICALLY AUTHORISED UNDER A LOCAL ACT, WE CONTEND THAT THE USE OF THIS MONEY, AND THE CAPITAL EXPENDITURE GENERATED FROM SUCH USE, SHOULD BE OUTSIDE THE PROPOSED SYSTEM OF CONTROL BECAUSE THE MEMBERS OF THE COUNCIL, FOR THE TIME BEING, ARE MERELY THE CUSTODIANS OR TRUSTEES OF MONEY, WHICH MUST BE USED FOR THE BENEFIT OF THE INHABITANTS OF ANGLESEY.

The Council have decided to accept the principle of the necessity of an investment fund, to be built up by annual contribution from the Oil Revenues, to ensure income in perpetuity, once the Oil Revenues cease in possibly 20 years' time. But they have been strongly opposed to using the money generally in aid of rates, because this would fritter away a source of wealth of inestimable benefit to the area, if properly and wisely used for capital projects of various kinds.

SINCE THE OIL REVENUES ARE NOT RAISED FROM RATES OR FROM BORROWING, BUT ARE AN UNIQUE SOURCE OF INCOME TO THE ISLAND, PAYABLE IN CONSIDERATION OF THE VERY REAL OIL POLLUTION RISKS AND ENVIRONMENTAL DISTURBANCE TO THE INHABITANTS OF THE ISLAND, WE CONTEND THAT THEIR APPLICATION SHOULD BE SOMETHING WHICH SHOULD BE KEPT APART FROM NORMAL LOCAL AUTHORITY FINANCING AND AS SUCH THAT WE SHOULD BE ALLOWED TO USE THEM AS WE WISH WITHOUT ANY FORM OF CENTRAL GOVERNMENT CONTROL.

We appreciate the Government's basis for wishing to effect some restraint on Local Authority spending, because it is public money, in increasing amounts, that is being borrowed. In our unique case, it is money from a private source that is available to us.

Over the years, the Anglesey councils - the former and the present - have been most prudent in their budgeting and, by comparison today with any similar authority, we can be adjudged to be carrying out our functions in a moderate and sensible manner. Our rate, for example, stands at 20p, which with the county precept of 111p, makes our total at 131p - within the Government's tolerance.

We have previously raised the particular issue of the 'threat' to the Oil Revenues with Mr. Keith Best M.P., and with the Welsh Office. After my brief discussion with you, however, I have discussed the matter again with Mr. Keith Best, and we would both appreciate it if you would give favourable consideration to our contention regarding the Oil Revenues and their relationship to the proposed expenditure controls.

WHAT WE ARE ASKING, IN BRIEF, IS FOR AN ASSURANCE THAT THE OIL REVENUES WILL BE OUTSIDE THE NEW CONTROLS BEING PROPOSED.

I look forward to hearing from you in due course. If you require any further information, please do not hesitate to advise me.

If you consider that a formal or informal meeting, involving your good self, any of your Ministers or Officials, and myself and other representatives of the Borough Council, would assist, I shall readily make the necessary arrangements.

I am sending a copy of this letter to Mr. Keith Best M.P.

Yours sincerely,



BOROUGH MAYOR

Local Gov

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llineil Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

7 August 1980

D. Medford

R 8/8

I am generally content with the final text of our joint statement about local authority current expenditure in England and in Wales in 1981/82 but in order to make it clear that there will be separate Rate Support Grant Settlements for that year the last sentence of paragraph 4 should be amended to read "when the Rate Support Grant Settlements for 1981/82 are announced the amounts of grant available for England and for Wales will be stated as cash totals."

/ I have copied this letter to recipients of yours.

John
Neuf

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of Environment
2 Marsham Street
London SW1P 3EB

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8 AUG 1980



Treasury Chambers, Parliament Street, SW1P 3AG

David Edmonds Esq
Private Secretary to the
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

6 August 1980

Dear David,

STATEMENT ON LOCAL AUTHORITY CURRENT EXPENDITURE IN ENGLAND
AND WALES, 1981-82

The Chief Secretary is content with the revised draft of this statement which your Secretary of State sent him with his letter of 5 August.

I am sending copies of this letter to Tim Lankester, the Private Secretaries to other members of the Cabinet including the Minister of Transport, and to David Wright.

*Yours sincerely,
A C Pirie*

A C PIRIE
Private Secretary

77 AUG 1980





Handwritten signature

Local Govt
2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

*MBM
FL
7/8*
5 August 1980

Following my letter of 30 July, I am now writing to you and colleagues with the final text of the statement I propose to make this week about local authority current expenditure in England and Wales in 1981/82.

As a result of our discussion in Cabinet last Thursday my officials have agreed with yours, and other Departments, the firm total for RSG current expenditure in 1981/82 in England and Wales; this is now £3044m at November 1979 RSG prices - 2% below the 1980/81 figure. The detailed presentation of this percentage in paragraph 4 of the statement has been discussed by my officials with the Secretaries of the Local Authority Associations so that there should be no doubt at all about what authorities are being asked to achieve next year. The associations thought it would be helpful to express the 1981/82 target in relation to the budgets originally submitted for 1980/81. However on reflection I have decided to drop any expression of the target in relation to the 1980/81 budgets since these are now being revised. We can consider further guidance and clarification for local authorities in September, after we have analysed the results of the call for revised budgets.

I have received letters from George Younger, Mark Carlisle, Willie Whitelaw and Norman Fowler with several points about the presentation of the statement.

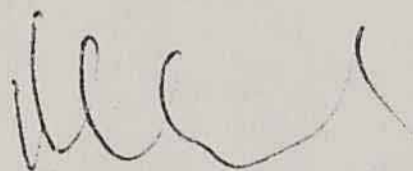
On timing, I am content with the suggestion that I should make my statement in answer to a pre-arranged PQ on the afternoon of Wednesday 6 August, the same day as the Scottish announcement. George Younger also suggested I should explain in detail what was implied for England and Wales in the Public Expenditure White Paper by the term "around 2% in Great Britain excluding housing", so that confirmation of a 2% reduction now for England and Wales would be

presented as a further reduction similar to that implied in Scotland (where I understand the comparable original figure underlying the White Paper was 1.4%). However, as the draft Scottish statement does not now refer to this, I assume George Younger has reconsidered the need to draw attention to this point and I do not propose to do so in relation to England and Wales.

Norman Fowler suggested that we should quote only a rounded figure for local authority current expenditure for rate support grant purposes, so as to leave him a margin of flexibility between capital and current expenditure when examining transport programmes in the autumn. But to leave open the question of the total will create an element of uncertainty in local authorities' minds. I think the way forward is to give a total including the best present estimate for local transport expenditure. As paragraph 3 of the statement implies marginal adjustments later on could be considered when we are setting overall RSG relevant expenditure at November 1980 prices, provided that the overall 2% reduction in the underlying volume of current expenditure was not altered.

I also note what Mark Carlisle says about paragraph 7. I consider however it necessary to remind local authorities that the revision of budgets is important - we have not yet received replies from all authorities.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Mark Carlisle, Patrick Jenkin, Nicholas Edwards, George Younger, Jim Prior, John Nott, Norman St John Stevas and Norman Fowler; and Sir Robert Armstrong.

Yours
an


MICHAEL HESELTINE

Rt Hon J Biffen Esq MP

LOCAL AUTHORITY CURRENT EXPENDITURE 1981/82

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT AND THE SECRETARY OF STATE FOR WALES

1. In March 1980 the Government set out in the Public Expenditure White Paper (Cmnd 7841) its expenditure plans for the years 1980/81 to 1983/84. These plans envisaged a fall in the volume of local authority current expenditure, of around 2% in 1981/82, 1% in 1982/83 and 1% in 1983/84.
2. The regular annual review of public expenditure is now in progress. The Government attach the highest priority to reducing public expenditure to a level that can be financed without excessive public borrowing, thus exerting a downward pressure on interest rates. The refunds that the United Kingdom has now secured from the European Community Budget will reduce the cuts in the previous Government's spending plans which would otherwise have been needed to achieve this objective, but they do not open the way to increases in aggregate expenditure on other public expenditure programmes above the levels planned in Cmnd 7841.
3. Final decisions on the distribution of the totals over the whole range of central and local programmes do not have to be reached yet. However, local authorities are beginning to plan their budgets for next year, and need to know the Government's view, on the basis of the review of expenditure plans that has so far taken place, on the overall level within which they should contain their current expenditure in 1981/82. In reaching this view we have taken account of the recently concluded discussions with the local authority associations in the Consultative Councils on Local Government Finance and their Expenditure Groups.
4. For 1981/82 the Government expects local authorities in England and in Wales to plan in aggregate for a volume of current expenditure for the purposes of RSG of £1304m at November 1979 prices. This is a further 2% below the targets local authorities were set in 1980/81 at the time of the Rate Support Grant settlement last November and which the Government has asked local authorities to secure in its call for revised budgets. When the Rate Support Grant settlement for 1981/82 is announced the amount of grant available will again be stated as a cash total.

5. The Government have indicated the priority which they attach to the law and order services, while recognising that local authorities must have discretion to decide how to allocate resources between services in the light of local needs. The Government's priority remains, but law and order services should not be regarded as wholly exempted from the search for economies.

6. In making this early announcement to assist local authorities with their planning, the Government has borne in mind the action which is being taken at present to deal with the excess spending which local government planned for in the current financial year. We cannot emphasise too strongly to local authorities that the Government is planning for a steady reduction in local authority current expenditure over the coming years. The achievement of these plans is a most important part of the Government's economic strategy.

7. We must therefore make it clear that we expect authorities not only to eliminate this year's overspending but also to achieve the lower target set for the next year. Reductions in manpower levels will obviously have to continue at a faster level than has been achieved so far if our spending targets are to be met. The response of local government to our call for revised expenditure plans for 1980/81 will obviously be one factor which will influence our decisions on the financing of local authority expenditure for 1981/82.

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-5 AUG 1980



QUEEN ANNE'S GATE LONDON SW1H 9AT

2 August 1980

~~Education~~
Local Govt

R
ye

Dear Michael

You wrote to John Biffen on 30 July with a draft statement about local authority expenditure.

I should prefer the paragraph about Law and Order services to read as follows:

"The Government have indicated the priority which they attach to the law and order services, while recognising that local authorities must have discretion to decide how to allocate resources between services in the light of local needs. The Government's priority remains, but law and order services should not be regarded as wholly exempted from the search for economies."

We have made it clear from the outset - in your statement in the Consultative Council, in two Public Expenditure White Papers and in the circulars (21/1979 and that of 12 June 1980) - that while we want to see priority given to law and order services, we recognise that local authorities must have discretion on the ground. I am surprised at the difficulties of interpretation; when asked we have given local authorities clear advice on the correct interpretation.

Our supporters would not understand it if we appeared to be back-tracking on our commitment to law and order, and it is most important that we should continue - for example, in the next White Paper - to reflect our views of priorities in the assumed breakdown of local authority expenditure.

I am copying this letter to the Prime Minister and the recipients of yours.

Yours

John Biffen

This modest amendment would help me.
The Rt Hon Michael Heseltine MP



= 4 AUG 1980



A02756

PRIME MINISTER

Education and Local Authority Current Expenditure
in 1981-82

C(80) 48

BACKGROUND

At their meeting on 24 July the Cabinet agreed that the local authorities should be told before the Recess that their total current expenditure in 1981-82 should be 2 per cent below the Government's planned figure for 1980-81 (CC(80) 30th Conclusions, Minute 7). The Cabinet did not however reach agreement on the detailed savings required to achieve this objective or on the Chief Secretary's proposal that they should be found from the education programme.

2. The Chief Secretary has reported that he failed to reach agreement in his further discussions with the Ministers concerned. His objective remains to save £87 million gross on the total education programme in England, or £50 million net after allowing for the loss on school transport.

3. The Secretary of State for Education has offered gross cuts of £45 million (see the table in paragraph 3 of C(80) 48) compared with the £20 million to £25 million he had offered previously. Of this £45 million, only £15 million is from local authority current expenditure. Unless further savings are agreed, the total reduction on local authority current expenditure will be only 1.6 per cent.

4. The Chief Secretary therefore offers a choice for reaching the target of 2 per cent, with his detailed proposals listed in columns 5 and 7 of the Annex to his paper:-

Either £67 million from education current expenditure

or £39 million from education with pro rata cuts on other services, except law and order.

He advises against the second course because it would fall in part on the personal social services and the local environmental services, where there

are already problems in reducing overspending, let alone looking for further cuts. He also warns that the Secretary of State for the Environment has threatened to reconsider his agreement to cut £65 million off housing if the Secretary of State for Education does not make the full savings proposed.

HANDLING

5. After the Chief Secretary, Treasury has introduced his paper the Secretaries of State for Education and for Wales will wish to reply. The Secretaries of State for the Environment and Social Services, the Minister of Transport, the Home Secretary and the Chancellor of the Duchy of Lancaster will each wish to comment on the option for spreading the cuts across the various local services. Although the Secretary of State for Scotland has agreed to make his 2 per cent reduction, he might have second thoughts if less were to be required of England and Wales.

6. There are broadly four options:-

- i. To accept a cut of 1.6 per cent, or something lower than 2 per cent, in total local authority current expenditure.
- ii. To insist on £67 million off education local services.
- iii. To find the total by spreading the cuts among all the local services, other than law and order, as proposed in column 7 of the Annex to C(80) 48.
- iv. To try and find other savings including, if necessary, savings from exempt services like the Police, perhaps by imposing a uniform cut across the board. Such a cut might be best imposed in the figures in column 3 and would need to be of 0.5 per cent.

7. The Cabinet has already agreed that the total cut should be of 2 per cent. If any Minister were to propose that that decision should be re-opened the main objections are:-

- i. If the proposed savings are not made on local authority current expenditure they will have to be found elsewhere, and this is probably impracticable in view of the formidable task of finding savings to offset the increases on the nationalised industries.

ii. Anything less than 2 per cent off local authority current expenditure would be to go back on the objective in the last Public Expenditure White Paper.

iii. If England and Wales were to be cut by 1.6 per cent then Scotland could demand similar treatment and that would lose a further £10 million.

8. The Secretary of State for Education remains firmly of the view that further cuts on the schools programme would mean going back on the Government's commitment to maintain and improve the quality of education. You will recall that he won some support last week for this view, partly on the grounds that further cuts would be unfair to those local authorities who have given their full co-operation so far in reducing and controlling their budgets. On the other hand, the Chief Secretary and the Secretary of State for the Environment believe that the cuts could be made without reducing the quality of teaching.

9. If the Cabinet does not agree to the full cuts falling on education, the available solutions are either to spread the pain as in column 7 of the Chief Secretary's table or to impose a uniform cut on all programmes under the 'column 7' option. The education programme would still have to find cuts of £39 million. Full spreading of the load would reduce the cut in education to £33 million, but would impose eg a cut of £8 million on the police. On the face of it the cuts on the other services are relatively modest. The main objection to them, which you will wish to probe, is that they could be unrealistic if there is already a probability of overspending on those services. The alleged threat by the Secretary of State for the Environment to withdraw his offer to cut £65 million from his housing and other programmes is probably a negotiating ploy, and you may not wish to give too much weight to it.

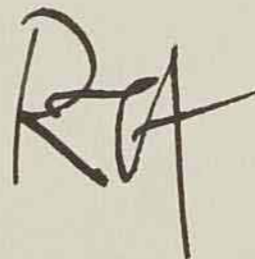
CONCLUSIONS

10. To enable a statement to be made before the Recess on the total reduction, the Cabinet must decide now where the savings will be made.

In the light of the discussion, and on the assumption that the decision to reduce local authority current expenditure by 2 per cent stands, you will wish to record:-

Either that the education programme should be reduced as proposed by the Chief Secretary, Treasury

or that the necessary cuts should be spread over other local services, either as in column 7 of the Annex to C(80) 48 or in some other way acceptable to the Ministers concerned.



ROBERT ARMSTRONG

30 July 1980



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

30 July 1980

cc Mr Heise
Mr McDermott
Mr Edwards

Dear Chief Secretary

We agreed in Cabinet (C(80)30 Minutes) that Nicholas Edwards and I should jointly announce the volume targets for local authority current expenditure in England and Wales in 1981/81. I propose that this announcement should be made by way of a pre-arranged written PQ next week before the House rises and that it should be conveyed by letter to all local authorities. George Younger will be making a separate announcement about Scotland.

I attach a draft statement which has been discussed with your officials, except as regards the point on law and order services, which I discuss below. In view of the fact that local authorities appear in the past to have failed to understand the full extent of the required reductions, I have expanded the explanation beyond the basic % reduction between 1980/81 and 1981/82. I hope that colleagues will agree that this is helpful. All figures in the draft statement are subject to confirmation by your Department and to the outcome of discussions in Cabinet tomorrow.

One area of expenditure which has caused particular problems for my Department in dealing with our call for revised budgets has been the 'protected' law and order services. Briefly, the Shire and Metropolitan counties have complained that because expenditure on the law and order services (in particular police manpower) has been protected or increased, they have had serious difficulties in attempting to achieve the overall targets. This has been particularly acute in the case of the metropolitan authorities, around 40% of whose current expenditure is accounted for by the police service. Authorities appear in practice, therefore, to be interpreting the Government's priority for law and order services to mean that these services are exempted from reductions.

My officials have discussed this with the Home Office. I understand that Willie Whitelaw take the view that while the Government wishes priority to be given to law and order services, it is for local authorities to decide how to allocate resources between services in the light of local priorities and needs. These services are not therefore exempted from reductions. The statement has been drafted to reflect this. I shall be discussing the presentation of the necessary reductions with the local authority associations to ensure that the message will be clearly understood.

The statement relates to the presentation of the aggregate target. The question of whether or not we should give individual local authority volume guidelines is one to which we shall have to return when we have had the opportunity to consider the results of the

revised budgets and the lesson we have learned from that exercise. I propose to discuss this issue with colleagues when E Committee considers our proposals for reaction to the revised budgets in September.

I should be grateful to know by close of play on Friday 1 August if any colleagues wish to propose any substantial change to the draft statement.

I am copying this letter to Willie Whitelaw, Mark Carlisle, Patrick Jenking, Nicholas Edwards, George Younger, Jim Prior, John Nott and Norman Fowler; and Sir Robert Armstrong.

for view
MHS

for MICHAEL HESELTINE

*(draft agreed by the Secretary
State assigned in his
absence)*

LOCAL AUTHORITY CURRENT EXPENDITURE 1981/82

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT AND THE SECRETARY OF STATE FOR WALES

1. In March 1980 the Government set out in the Public Expenditure White Paper (Cmd 7841) its expenditure plans for the years 1980/81 to 1983/84. These plans envisaged a fall in local authority current expenditure, excluding housing, of [around 2%] in 1981/82, 1% in 1982/83 and 1% in 1983/84.
2. The regular annual review of public expenditure is now in progress. The Government attach the highest priority to reducing public expenditure to a level that can be financed without excessive public borrowing, thus exerting a downward pressure on interest rates. The refunds that the United Kingdom has now secured from the European Community Budget will reduce the cuts in the previous Government's spending plans which would otherwise have been needed to achieve this objective, but they do not open the way to increases in aggregate expenditure on other public expenditure programmes above the levels planned in Cmd 7841.
3. Final decisions on the distribution of the totals over the whole range of central and local programmes do not have to be reached yet. However, local authorities are now planning their budgets for next year, and need to know the Government's view, on the basis of the review of expenditure plans that has so far taken place, on the overall level within which they should contain their current expenditure in 1981/82. In reaching this view we have taken account of the recently concluded discussions with the local authority associations in the Consultative Council on Local Government Finance and its Expenditure Groups.
4. For 1981/82 the Government expects local authorities in England and Wales to plan in aggregate for a volume of current expenditure, of [£^{13,090} m] at November 1979 RSG prices. This excludes housing. It is [1.7 %] below the level local authorities were asked to achieve in 1980-81. In terms of the expenditure plans which local authorities submitted last spring for 1980/81 (RER 1981), which were 5.6% above the Government's target, a [1.7%] reduction on the target for 1980/81 is equivalent to a reduction of [6.8%].

5. The Government have indicated the priority which they attach to law and order services. Nevertheless, it is for local authorities to decide how to allocate resources between services in the light of local priorities and needs. This means that these services should not be regarded as exempted from economies.

6. In reaching this decision, and in making this early announcement to assist local authorities with their planning, the Government has borne in mind the action which is being taken at present to deal with the excess spending which local government planned for in the current financial year. We cannot emphasise too strongly to local authorities that the Government is planning for a steady reduction in local authority current expenditure over the coming years. The achievement of these plans is a most important part of the Government's economic strategy.

7. We must therefore make it clear that we expect authorities not only to eliminate this year's overspending but also to achieve the lower target set for the next year. Reductions in manpower levels will obviously have to continue at a faster level than has been achieved so far if our spending targets are to be met. The response of local government to our call for revised expenditure plans for 1980/81 will obviously be one factor which will influence our decisions on the financing of local authority expenditure for 1981/82.

Local Govt

Ref A02574

PRIME MINISTER

Local Authority Current Expenditure 1980-81
E(80)63

BACKGROUND

The Secretary of State for the Environment discusses possible measures which might be taken in September if the request to local authorities to reduce their budgets for 1980-81 does not produce satisfactory results. In the meantime he seeks views on these options; and specifically invites colleagues to agree that until final decisions are taken in September approvals should be given only to essential capital schemes.

2. The Secretary of State concludes that after the call for new budgets, we may end up with a predicted overspend of 2-3 per cent (£300 - £500 million) of which about half might actually in the event be spent. He then discusses the following possible courses for action -

In 1980-81

- i. Accept the new budgets and do nothing (paragraph 7)

This would be in the hope that overspend would not materialise but **is** rejected as too weak.

- ii. Impose a moratorium on capital expenditure from September (paragraph 8)

This would penalise authorities indiscriminately; would be criticised as further discrimination against capital investment; and, to the extent that it involved withdrawing capital approvals already given might well be challenged in the courts. But to leave open the possibility of raising £40 million it is proposed to limit capital approval forthwith.

- iii. Reduce the RSG cash limits (paragraph 9)

This would cut grant, not expenditure, and would apply to authorities indiscriminately, although it would have greatest consequences for the "poorest" authorities with greatest needs, and least resources.

iv. Use the RSG transitional arrangements (paragraph 10)

This would probably be envisaged anyway, as a means of penalising the 20 or so authorities who are spending highly in relation to assessed need. But those 20 will include some who have tried to make budget reductions since 1979-80, and will omit other authorities who have increased their volume of expenditure since 1979-80. Thus it does not attack the specific problem.

From 1981-82v. Use Block Grant system (paragraph 11)

From 1981-82 the new block grants system will penalise high spenders - but they are not necessarily the ones who have not cut volume; and this does not help this year's overspend problem.

vi. Reduce the 1981-82 capital expenditure as a penalty for 1980-81 current spending (paragraph 13)

This could only legally be done as an overall cut and not on a basis which discriminated between authorities. It could not logically be said to tackle the current year spending problem. A 2 per cent "clawback" would knock one-third off capital spending for next year.

vii. Hold back future year's capital allocations until satisfactory budgets for those years are submitted (paragraph 13)

This only tackles the problem for future years, but might be a more effective weapon for them. But to hold back even the equivalent of 2 per cent of current expenditure would knock one third off the planned capital expenditure for that year (perhaps additional to the clawback mentioned in vi. above). The amount held back would need to be released fairly promptly as soon as budgets were available and vetted, if the spend was to be achieved in the year.

viii. Adjust "urban programme" resources (paragraph 16)

This could be done in a reasonably discriminatory way to pick out high spenders overall, or other authorities who were not following Government policy.

3. None of the options is very attractive, and the Secretary of State has been examining the possibility of specific powers to penalise individual authorities. The annex sets out the problems in doing this, which the Committee may well feel are insuperable.

HANDLING

4. After the Secretary of State for the Environment has introduced his paper, the Secretary of State for Scotland might comment on any differences in the Scottish position. The Chief Secretary and the main local authority Ministers will then wish to comment. It is likely that the discussion will focus mainly on the case for a capital investment moratorium.

5. You might remind the Committee that no firm decisions are needed today, apart from that on capital approvals between now and September if the possibility of a capital moratorium is to be kept in play. Although none of the options is ideal, or can be made to apply pressure to the specific wrongdoers, the Government's overall stand can have a major effect on public opinion, and on opinion within the local authority Associations. The Committee might therefore prefer not to rule out any of the possible options at this stage. They may well accept, however, that there is no real scope for legislation to control spending in individual authorities (for the reasons set out in the annex).

CONCLUSION

6. You will wish to record conclusions -

i. Inviting the Secretaries of State for the Environment and for Scotland to bring forward specific proposals for possible measures once the revised budgetary submissions have been received.

ii. On whether the option of applying a capital moratorium should be kept open, and whether therefore all colleagues should immediately establish a close control over approvals from their Departments for local authority capital schemes.



iii. Noting any other options which are either ruled out or to be added to the list.

iv. On whether there is any scope for pursuing further the possibility of legislation to control current expenditure of specific local authorities.

ROBERT ARMSTRONG

8 July 1980

CONFIDENTIAL



2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/15010/80

Your ref:

7 July 1980

See Patrick

Thank you for your letter of 20 June about the volume of local authority current expenditure.

R47

The difficulty with any public recognition that some local authorities have gone some way in some services towards meeting our current expenditure volume targets is it creates the impression that we are adopting a differential approach and that some services can be given a measure of protection. But local government as a whole in England and Wales is still planning for a substantial excess in 1980-81. That is why we have had to ask all authorities to review and reduce all their planned expenditure for this year (bearing in mind the priority we attach to law and order services), whatever reductions they may have already made from earlier planned spending levels. Obviously authorities need words of encouragement as they face up to the problem. However I think it is essential to avoid giving authorities any false impression that anyone can be exempted from the current exercise. This could only undermine the credibility of our stance on public expenditure.

The fact that we have given each local authority a figure for its actual volume of current expenditure in 1978/79 - less the 2% by which local authorities on average must cut by to reach the Government's spending targets for 1980/81 - should enable each to see precisely what is proposed to achieve this year compared with a common baseline. If any authority has made errors or misjudgements in its original returns, on personal social services or any other services, the revised return will give it the opportunity to put the record straight.

I am copying this letter to the recipients of yours.

guy

MICHAEL HESELTINE.

F-81

JUL 1980



PS / 10 Downing Street

LOCAL GOVERNMENT, PLANNING AND LAND (NO 2) BILL - DE-CLASSIFICATION OF PAPERS

Chapter 25.8 of DOE's Notes on Public Bill Procedure instructs Bill teams to attempt to de-classify or downgrade all classified documents before the binding of the Bill papers.

On 17 May 1979, ^{Ps 1} Mr. W. Pattison sent ~~two~~ Confidential/~~Restricted~~ minute/letters to D. Edmonds Esq, Dept of the Env. about the Secretarys of States' minute of 16 May about controls over Local Government

I would be grateful if you would advise as soon as possible whether this document may be de-classified, either now or on Royal Assent.

J. Thomas
MRS. J. THOMAS

LG4 DOK
P1/119
Marsham Street
2 July 1980
212-3848

Environment telephoned and informed, on the instruction of MAP, a negative reply.

J. S. Collins
etc 3/7/80



2 - JUL 1980

Local Gov



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

20 June 1980

Dear Michael,

R
L/C

LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

Thank you for copying to me your minute of 11 June to the Prime Minister about the control of local authority current expenditure in 1980-81.


I fully accept the importance of doing all we can to ensure that local authorities keep their expenditure within our total plans for public expenditure as a whole. I hope the terms of the circular you have issued and the further action that you and colleagues have in mind to maintain public pressure on local authorities will be successful in achieving reductions of the order required without penalising services such as libraries which have not contributed to the problem. I recognise also that we have got to think very carefully about the levels of the Rate Support Grant.

I very much hope, however, that we can avoid imposing a moratorium on local authority capital expenditure. As you yourself say, the practice of trading off increases in current expenditure and staff costs against decreases in capital expenditure is not one we should be encouraging. To take this line might well lead to some of our own supporters in the House and in the country aligning themselves with opposing political interests. Moreover I am bound to say that such a ban on new capital expenditure by local authorities would be liable to lead to demands for similar restraint by Government in its own programmes. I am not at all sure that that would be wise or in the public interest. But in any case the real objection is that such a ban would be seen as punitive in intent, and that, I believe, could be a major political error.

You suggest in paragraph 9 that we might have to go further and take new statutory powers to control directly the activities of particular authorities. As you recognise, proposals on these lines would create a major row in both Houses of Parliament, and even if popular at the outset would lead to grave difficulties once we had become embroiled in direct responsibility and the minutiae of local administration. Even if this kind of action were acceptable in principle and workable in practice, which I doubt, I hope you will accept that this is something to be considered for the next session of Parliament, if at all, and that for all the reasons that we have most recently discussed in the content of the Housing Bill it is not now a practical possibility to contemplate such legislation this session.



I am copying this letter to the Prime Minister, to other members of the Cabinet, to Norman Fowler and to Sir Robert Armstrong.

Yours 
—

23 JUN 1980



The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
SW1



Local Govt.

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

12

227c

20 June 1980

Dear Michael,

As you know, I was in the end content with the draft circular to local authorities which came round with your minute of 12 June to the Prime Minister. I certainly have no wish in any way to weaken the message which of course I support.

As far as personal social services are concerned, it is clear from discussions I have had with Chairmen and Directors of Social Services that some authorities have made, and have in train, cuts in services, and that these have not all been adequately reflected in the initial budget estimates - partly perhaps because not all authorities have taken full account of the differential effect of inflation in translating their service estimates into November 1979 prices and partly as a result of pressure on their cash limit reserves.

I hope you may agree that, in speeches and discussions with authorities, we need to recognise that some authorities at least have already taken some difficult and painful choices and made real cuts in services.

I am copying this letter to members of Cabinet, including the Minister for Transport and Sir Robert Armstrong.

Yours ever
R
Kathleen

23 JUN 1960





Local Govt

Treasury Chambers, Parliament Street, SW1P 3AG

David Edmonds Esq
Private Secretary to the
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

R 1966

19 June 1980

Dear David,

The Chief Secretary has seen your letter of 18 June about the proposed letter to local authority Chief Executives.

The Chief Secretary strongly supports Mr Heseltine's proposal. He considers it important to give each local authority clear and unambiguous guidance about the expenditure reductions now required.

I am copying this letter to Tim Lankester at No 10 and to the Private Secretaries to all Cabinet Ministers, the Minister of Transport and Sir Robert Armstrong.

Yours sincerely,

Alistair Pirie

A C PIRIE
Private Secretary

POST OFFICE
NO. 10 JUN 1960

1 2 3
4 5 6
7 8 9
10 11 12



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

18 June 1980

Dear Alistair

7 1966

As the Chief Secretary is aware a circular letter was sent on 12 June to all local authorities in England and Wales asking them to revise their budgets to eliminate a planned volume overspend in 1980/81.

It is now necessary to send out new budget forms and explanatory material to individual local authorities in order that they can have no doubts about how to respond to this request.

My Secretary of State proposes that the attached letter should be sent tomorrow to the Chief Executive of every local authority in England and Wales. It will cover a detailed letter with full guidance on the new budget returns.

I am copying this to Tim Lankester at No 10, and to the Private Secretaries to all Cabinet Ministers, the Minister of Transport, and Sir Robert Armstrong.

I would be grateful for any comments to reach me by noon tomorrow. In particular, Welsh Office will wish to consider whether the letter should go from DOE to Welsh authorities (the budget forms are handled by DOE for England and Wales).

JW ave
D.A. Edmonds

D A EDMONDS
Private Secretary

DRAFT LETTER FROM MR HEISER TO CHIEF EXECUTIVES

LOCAL AUTHORITY CURRENT EXPENDITURE

I have been requested by the Secretary of State to ask you to bring this letter to the personal attention of the Chairman or Leader of your Authority.

In the circular letter of 12 June the Government requested all local authorities to revise their current expenditure plans for 1980/81. The returns submitted indicate a volume of current expenditure in 1980/81 which is significantly higher than the targets envisaged in the Rate Support Grant settlement last November, even given a tendency for budgets to exceed out-turn.

The circular letter also stressed that the long established voluntary relationship between central and local government depends upon the Government's overall spending guidelines being observed. The Secretary of State therefore requests that the elected representatives of your council will re-examine the authority's spending plans with great care. As you know, the target for the volume of current expenditure in 1980/81 established a figure 2% lower in real terms than the actual volume of current expenditure in 1978/79.

It is obviously necessary for all spending plans to be revised by reference to the same baseline. We have therefore taken the figures from the returns you sent us for 1978/79 and revalued them to November 1979 prices. We have then given you, also at November 1979 prices the figure that your council will need to get down to in order to achieve the 2% volume reduction. It is important that any possible economies below this figure should also be achieved.

Our scrutiny of the returns show that there are a number of errors which may have resulted from misunderstandings and varying practices in individual authorities. We are therefore sending out detailed guidance notes with the returns. It is important to ensure that the greatest care is taken in completing the forms. In order that when the new returns are received no decisions are taken on the basis of figures which do not accurately represent the intentions of local authorities.

LOCAL AUTHORITY CURRENT EXPENDITURE

- 1 Local authorities are planning to spend this year on current account significantly more than envisaged in the Government's own plans.
- 2 Our objective is to check the growth and reduce the level of public expenditure. This is central to the attack on inflation and the rejuvenation of the productive sector of the economy. Local authorities cannot be exempted - they account for nearly a quarter of total public expenditure - around £20 billion.
- 3 Michael Heseltine has therefore asked authorities to review and reduce their spending plans for 1980-81. A circular explaining the details was sent to all authorities during the weekend of 13/14 June 1980.
- 4 In effect, local authorities are being asked to reduce their current expenditure in 1980/81 in real terms to a level 2% below what they actually spent in 1978/79.
- 5 The cornerstone of the present voluntary relationship between central and local government is that local government keeps its overall expenditure within the guidelines for public expenditure set by central government. The Government attaches great importance to this joint approach. This does, however, demand a degree of co-operation and responsibility on the part of all authorities. If local government were to fail to meet the Government's plans for the volume of local authority current expenditure, then it would be necessary for the Government to consider other means of achieving its objectives. The Government believes, however, that local authorities will respond positively to this request for revised current expenditure plans. It is vital that all the councillors appreciate the importance of this.

The Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

17 June 1980



Room N4/02

Department of the Environment
2 Marsham Street London SW1

Telephone 01-212 3434

Direct line: 01-212 4717

Our ref. FLA/91060/7/33

The Chief Executive
County Councils)
District Councils) in England and Wales
London Borough Councils
The Town Clerk; City of London
The Director General, GLC

12 June 1980

Dear Sir

Ministers announced at the Consultative Council on Local Government Finance on 3 June that they have decided to issue a joint Departmental letter on local authority expenditure in 1980-81. I enclose a copy for the attention of your Council.

Yours faithfully

D A McDONALD

ENC

JOINT LETTER FROM THE

DEPARTMENT OF THE ENVIRONMENT
2 Marsham Street, London SW1P 3EB

DEPARTMENT OF EDUCATION AND SCIENCE
Elizabeth House, 39 York Road, London SE1 7PH

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Friars House, 157-168 Blackfriars Road,
London SE1 8EU

HOME OFFICE
50 Queen Anne's Gate, London SW1H 9AT

DEPARTMENT OF TRANSPORT
2 Marsham Street, London SW1P 3EB

OFFICE OF ARTS AND LIBRARIES
Elizabeth House, 39 York Road, London SE1 7PH

DEPARTMENT OF EMPLOYMENT
Caxton House, Tothill Street, London SW1N 9NA

DEPARTMENT OF TRADE
Millbank Tower, Millbank, London SW1P 4QU

WELSH OFFICE
Cathays Park, Cardiff CF1 3NQ

12 June 1980

Sir

LOCAL AUTHORITY CURRENT EXPENDITURE 1980/81

1. The purpose of this circular letter is to request all local authorities to revise their current expenditure plans for 1980/81 to bring them into line with the Government's expenditure plans and to send new returns to the Department of the Environment by 1 August 1980.
2. The information contained in the latest returns of local authority expenditure and rates in England and Wales (RER 81) indicates that

in 1980/81 local authorities are planning for a volume of current expenditure 5.6% higher than the targets envisaged in the Rate Support Grant (RSG) settlement made in November 1979. The Government considers that on past experience this points to a significant and unacceptable excess volume of current expenditure over the Government's plans even when allowance is made for a tendency for budget estimates to exceed out-turn.

3. The targets for current expenditure set at the time of the RSG settlement established a figure 2% lower in real terms than actual expenditure incurred in 1978/79. To the extent that any local authority does not plan for a reduction of at least 2% in this baseline, then it will impose a need for proportionately greater reductions by other authorities in order to meet the Government's plans for the aggregate volume of current expenditure by local government in 1980/81.

4. The cornerstone of the present voluntary relationship between central and local government is that local government keeps its overall expenditure within the guidelines for public expenditure set by central government. The Government attaches great importance to this joint approach. This does, however, demand a degree of co-operation and responsibility on the part of all authorities. If local government were to fail to meet the Government's plans for the volume of local authority current expenditure, then it would be necessary for the Government to consider other means of achieving its objectives. The Government believes however that local authorities will respond positively to this request for revised current expenditure plans.

5. Some authorities have already begun to review their budgets, but it is essential that the expenditure plans of all authorities for all services in 1980-81, bearing in mind the priority which the Government wishes to be given to law and order services, should now be reviewed so that the overall total of local authority current expenditure is brought into line with the agreed volume provided for in the RSG settlement.

6. In revising their expenditure projections, local authorities will need to look particularly carefully at their manpower requirements. Expenditure on wages and salaries accounts for around 70% of gross current expenditure. The Government does not believe that local

authorities will be able to achieve and sustain the reductions in current expenditure implied by its public expenditure plans without ~~m~~ substantial reductions in manpower than have been achieved or planned so far. Every authority should further consider the scope for staff saving. Particularly, every authority should exercise the tightest control by elected representatives of recruitment policies and procedures.

FURTHER ACTION

7. The Government will examine the information in the revised budget returns in the context of preparations for the RSG settlement and capital expenditure allocations to be announced in November.

BACKGROUND

8. Since taking office the Government has taken the following steps in relation to local authority expenditure:

(i) in Circular 21/79 authorities were asked to freeze recruitment wherever possible and reduce their volume of current expenditure in 1979/80 by 3% below that envisaged in the November 1978 RSG settlement - ie roughly 1% below outturn for 1978/79;

(ii) in his statement of 31 July 1979, the Secretary of State for the Environment announced that the volume of local authority current expenditure in England and Wales in 1980-81 should be 1% below the revised volume set for 1979-80 ie 2% below the actual volume of current expenditure in 1978/79. Details were embodied in the public expenditure White Paper of November 1979 (Cmnd 7746);

(iii) in the following public expenditure White Paper of March 1980 (Cmnd 7841) the Government reaffirmed the volume target for 1980-81 and indicated that the total volume of local authority current expenditure is expected to fall by about 2% in 1981/82, 1% in 1982/83 and 1% in 1983/84.

LIKELY OUTTURN

1979-80

9. Local authorities' budgets for 1979/80 represented a significant (3½%) planned increase above the level of the original settlement. On the basis of the revised budgets the Government believes that the actual

outturn will be around the level of the settlement. This means that although authorities have eliminated the planned increase, they have not achieved the reduced target set by the Government in Circular 219 - ie 1% in real terms below the actual outturn for 1978/79. The Government's targets for 1980-81 remains unchanged - a reduction in volume of 2% below the actual outturn for 1978/79. To the extent that local authorities have failed to achieve the 1% reduction in 1979/80, then the whole of the 2% reduction as compared with the actual outturn in 1978/79 should be achieved in 1980/81.

1980-81

10. As already explained the budgets for 1980-81 show that local authorities are planning in aggregate for a volume of current expenditure 5.6% (£700m at November 1979 prices) above that provided for in the RSG settlement. It is these figures that must be significantly reduced. They are well above the margin by which local authority budget estimates have in recent years exceeded the volume envisaged in RSG settlements.

ADDITIONAL RETURNS

11. Local authorities are therefore asked to re-examine urgently the volume of their net current expenditure projections for 1980/81, including the income from fees and charges which they expect to receive in that year, and to submit revised plans. Forms and detailed guidance on their completion will be provided separately in the next few days. They should be returned by 1 August 1980.

12. Local authorities should note that current expenditure is broadly defined as expenditure on wages, salaries, goods and services, net of income from fees and charges. Therefore reductions in revenue contributions to capital outlay, loan charges and rate fund contributions to housing revenue accounts cannot be counted towards the Government's target for reductions in current expenditure.

13. Details of how current expenditure is defined for the purposes of the RSG will be included with the RER forms for the revised budgets to be sent to authorities.

14. Enquiries about this letter should be addressed to Mr L B Hicks (01-212 4717) and about the forms for the revised budgets to Mr C Warren (01-212 4475).

We are, Sir, your obedient Servants,

T M HEISER, Under Secretary

J R JAMESON, Under Secretary

G G HULME, Under Secretary

D A PEACH, Assistant Under Secretary of State

D HOLMES, Under Secretary

M W HODGES, Assistant Secretary

F J BAYLISS, Under Secretary

G LANCHIN, Under Secretary

M JEREMIAH, Under Secretary



cc to the Treasury

cc Questions ^{Local Govt}

2 MARSHAM STREET
LONDON SW1P 3EB

PA
MS

My ref:

Your ref:
17 June 1980

R.

Don Tim

Your Parliamentary section has asked this Department for a form of words which the Prime Minister might use today if asked to comment on the Secretary of State's announcement on Friday about local government spending. I understand that we were also asked for a possible answer to a question on differences between the Prime Minister and the Secretary of State on action that might be taken.

I attach a form of words. The answer concentrates on the substance of the request put to the local authorities. However, my Secretary of State feels that the Prime Minister may well wish not to be drawn into any comment on Ministerial views. He has been disturbed by the various unfounded stories which appeared in the press last week, suggesting a difference of view. If the Prime Minister wishes to make a reference to the allegations of differences between colleagues, a form of words is in square brackets: but my Secretary of State feels that the better course might be to ignore completely this type of press speculation.

Yours ever
D A Edmonds

D A EDMONDS
Private Secretary

Tim Lankester Esq
No 10

LOCAL AUTHORITY OVERSPEND

The present returns from local authorities indicate a degree of potential overspending on the volume of current expenditure in 1980/81 which is quite unacceptable. [+5.6%] Because there is a history of budgets exceeding outturn, and because some of the figures are of doubtful reliability my Right Honourable Friend the Secretary of State for the Environment has asked all local authorities to prepare revised budgets by 1 August. My Right Honourable Friend has told local government that to the extent that any local authority does not plan for a reduction of at least 2% on its actual volume of expenditure in 1978/79, then it will impose a need for proportionately greater reductions by other authorities if the Government's plans for the overall volume of local government current expenditure in 1980/81 are to be met. We shall consider what further action to take - should any be needed - in the light of the revised returns, in the context of the preparations for the RSG and capital allocations to be announced in November for 1981/82. [At no stage have I added any proposals to those made by my Right Honourable Friend for action in this area.]



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

16 June 1980

De la

B. 12/16

LOCAL AUTHORITY CURRENT EXPENDITURE 1980/81

Thank you for your minute of 11 June.

I entirely agree that Ministers should discuss the implications of the alternative forms of action that might be open to us should the revised local authority budgets, which we have asked for by 1 August, produce an unsatisfactory aggregate total. But I think that we will have a more productive discussion if we await the papers which are to be prepared by officials on the implications of operating on capital expenditure, the RSG Increase Orders or introducing new legislation to control excessive current spending by individual local authorities. Officials should have papers ready for discussion not later than by the first week in July.

I am copying this letter to the Prime Minister, the other members of Cabinet, Normal Fowler, and Sir Robert Armstrong.

you are
Michael Heseltine

MICHAEL HESELTINE

The Rt Hon Mark Carlisle MP

19 JUN 1960



Prime Minister



2
 ..
 2/6

PRIME MINISTER

MB

LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

I have seen a copy of Michael Heseltine's minute to you of today's date. The Chancellor and I entirely support his determination to persuade local authorities to bring their current spending down to the White Paper level. The draft circular spells out very clearly exactly what Government is asking of local authorities. I agree that it should be issued this week so as to ensure maximum compliance.

2. I shall be interested to consider Michael's other options for further action should the revised budgets still prove unsatisfactory. I believe that we shall have to give very careful consideration to the level of central government support for local authorities, both this year and next.

3. I am sending copies of this minute to the other members of Cabinet, the Minister of Transport and Sir Robert Armstrong.

WJB

JOHN BIFFEN

12 June 1980



24



12 JUN 1980

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[Faint, illegible text in the bottom section of the page]

Prime Minister

12
17/6



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

12 June 1980

De Michael

LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

I am writing with reference to your minute of 11 June to the Prime Minister.

Subject to a couple of points I make below I am content with the proposals in your minute. In particular I agree with the terms of the draft circular calling for revised budgets. It is essential that the circular should go out as soon as possible. I believe it would be very helpful for individual authorities to be given an indication of their actual spending in 1978-79 as you suggest in paragraph 2 of your minute: I hope it will prove possible to do so.

I am doubtful about your proposal for a capital moratorium in August/September. It is not clear to me how we could enforce it in more than a handful of cases, which would have to be totally new schemes. It would not be helpful either to give an appearance of impotence by stamping on a few tiddlers, or alternatively proving to be impotent in the face of defiance by local authorities. There is also the point that even if we could enforce it, a moratorium in the current year could hit schemes which are valuable ones to us, for example under the urban programme. We should avoid cutting off our nose to spite our face. Perhaps officials could take account of these points in the study you suggest.

Finally I want to sound a warning note about the imposition of direct control on the spending of local authorities. I see the attractions

/of such

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB



of such a course but we must not overlook the possibility of it coming unstuck. From your minute it seems you are thinking not so much in terms of putting in Commissioners (as Patrick Jenkin did in Lambeth) as in terms of exercising some form of Civil Service departmental control. Either way it seems to me there is a danger of the weight of work becoming so great that the system clogs up for want of people to run it, particularly if (for example) the AMA stage-managed a widespread revolt. Before embarking on any such course we need to be as sure as can be that we shall not end up looking foolish.

/ I am copying this letter to the Prime Minister, other members of the Cabinet, Norman Fowler and to Sir Robert Armstrong.

John

Nick

*Original
- ER.*
CF. to note



Local Government.

10 DOWNING STREET

THE PRIME MINISTER

12 June 1980

Thank you for your letter of 20 May.

Your letter grasps the point that pay negotiators inevitably look to the settlements that other groups have achieved and make use of them in arguing their own case. This is regrettably a fact of life. It is not confined, as you imply, to the civil service and the health service, but applies to all groups - including, for example, your own recent 'catching-up' settlement with the administrative, professional, technical and clerical staff.

What we have got to do - and this is a task not just for the Government but for all employers in both public and private sectors - is to convince negotiators on both management and union sides that settlements must be constrained by economic and financial conditions. This is a line the Government has taken quite firmly in both the health service (where we have made it clear that we will not increase cash limits to allow for higher settlements) and in the civil service (where the settlement had to be accommodated to the cash limit we had set by manpower reductions and by delaying its implementation).

I therefore hope that in your forthcoming negotiations with the APT and C group, you will take a firm view of what you can afford and stick to it. If you are forced to go beyond this, then the cost must be met by manpower cuts - and not ones which will reduce service levels, but ones which will increase staff efficiency. This is not an easy line to hold, as we found in the civil service negotiations; but it is essential.

/ For the future,

For the future, we all have to work to bring settlement levels down. This will be very much in our minds in setting next year's cash limits. I am certainly not prepared to see the public sector in any way hindering the effects of monetary policy in bringing down settlement levels in the private sector.

(SGD) MARGARET THATCHER

F. Julian Williams, Esq.

Chairman of Cornwall C Council

vb



HS

Local Government

10 DOWNING STREET

From the Private Secretary

12 June 1980

Dear David,

Local Authority Current Expenditure 1980-81

The Prime Minister has considered your Secretary of State's minute of 11 June and the draft circular which he enclosed with it. She has also seen the Secretary of State for Education's minute of the same date.

The Prime Minister agrees that the circular should go out to the local authorities as soon as possible. She does not think there is any point of principle involved in Mr. Carlisle's comment on paragraph 3 of the draft, and therefore she would like this paragraph to be included as it stands. She assumes that Ministers will have an opportunity to consider the options for subsequent action at a later date.

I am sending copies of this letter to the Private Secretaries to the members of Cabinet, including the Minister of Transport, and to David Wright (Cabinet Office).

[Handwritten initials]

[Handwritten signature: Tim Laker]

D.A. Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

HS

CONFIDENTIAL

Prime Minister



As there is no point of principle involved in Mr Carlisle's comments - para 3 - I think the circular should go out as is Prime Minister as soon as possible:

I assume further consideration will be given about the "sanctions" Mr Heslop & Mr Lyburn.

Mr Heslop (and the Treasury) are very keen for the attached draft circular to go out before the weekend - so that the local authorities can't complain that they aren't being given enough time to prepare revised budgets. In case spending Dept

LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

such as DES * try to hold it up, can I lend your support

1. At the Consultative Council on Local Government on 3 June the local authority associations accepted the need to issue a circular to call for revised budgets in the light of the 'raw' budgeted excess of 5.6% above the Government's plans. (E(80)17th and CC(80)22nd refer). In the event, the Labour leadership of the Association of Metropolitan Authorities (AMA) felt unable to give explicit endorsement in the Circular to the call for revised budgets. I considered whether to issue a circular endorsed only by the Conservative-controlled associations but have concluded that it would be inadvisable. Our own supporters in local government would feel that they were being asked to bear all the burden of making cuts while Labour could regard it as a victory over the Government. I intend therefore to issue a circular without reference to the views of the associations. This will in practice enable me to toughen the wording of the circular (copy attached).

Yes, for this?

(Decisions on subsequent action can be taken later).

TL

11/6

CONFIDENTIAL

* Mr Carlisle has now minuted (see Flag A). I don't agree with him but para 3 of the draft be omitted. Shall I say that you want it kept in? TL



2. I am also considering the practicability of giving individual authorities an indication of their actual expenditure in 1978/79 as a benchmark against which to compare their expenditure plans for 1980-81. This could give them a clearer understanding of what is required to achieve the 2% reduction in real terms between 1978/79 and 1980/81 which our plans require.

3. I also suggest, that after issue of the circular, we should maintain pressure by Ministerial speeches and I suggest that it is important that all Ministers responsible for local government services should take part; by further private talks with the Leaders of the Conservative-controlled associations; and by the official level discussions with the associations primarily about the improvement of the RER (paragraph 6 of E(80)42 refers).

SUBSEQUENT ACTION

4. I have also now reviewed what steps we might take if the revised budgets do not show a satisfactory reduction in the raw budgeted excess - a reduction from 5.6% to around 3% would suggest that local government was trying to get back on target. I suggest that we should proceed as follows.



5. First we cannot rule out a cut in the Rate Support Grant Increase Order 1980/81, despite the fact that it would be unselective and indirect in the effect (paragraph 7 of E(80)42 refers.) I will report to colleagues in due course on proposals concerning use of transitional arrangements under Rate Support Grant in 1980/81 (paragraph 11 of E(80)42 refers).

6. Secondly, I suggest that we should consider (a) the imposition in August/September of a 'blanket' moratorium on all further local government capital schemes (ie education, housing, local environmental services, transport and personal social services) and the urban programme, for the remainder of 1980/81; and/or (b) the reduction of the capital allocations to be made next autumn for 1981/82 'pro rata' for all authorities (i) whatever seems to be the probable current expenditure volume excess in 1980/81: and (ii) a further sum against receipts of the RER for 1981/82 next May in case those returns suggest a volume excess in that year.

7. I recognise that to trade-off an increase in current expenditure against a decrease in capital expenditure would re-inforce a long established and very undesirable trend; it would be harsh because it would be unselective; and there



would be a very considerable political cost. On the other hand, our existing and proposed controls over capital expenditure are the only means by which we can directly influence the totality of local government volume. I suggest therefore that officials be commissioned to study and report on these proposals by early next month.

8. Thirdly, we might consider going beyond measures to influence current expenditure globally and seek direct control, which can only operate at the level of the individual authority. We should then be heading for a major confrontation with local government. Nevertheless we must now seriously consider this option: the question is, will it work?

9. The imposition of an overall control on the current expenditure of all authorities - which is what would be needed to guarantee the achievement of volume targets - is clearly not on, and has been rejected by colleagues (E(80)17th). But we might consider whether an approach that involved direct control in a few of the worst-offending authorities, and which could be extended, would have a useful exemplary effect. This would involve an arrangement for current expenditure analogous to our proposals for controlling capital expenditure



where only those authorities whose expenditure exceeded some predetermined level would be subject to special controls. This would require new legislation.

10. There are obvious difficulties. The "volume excess" figures we have are unsatisfactory, and we might have to use the RSG needs assessment figures which are constructed on a different basis. Some councils affected would probably refuse outright to co-operate so that we should have to take over the direction of the whole range of local authority functions (not merely a specific activity as at Clay Cross), and in some cases we could not count on the assistance of the officers of the authority.

11. Action of this sort might be popular, but involves a major constitutional change and serious practical difficulties. I am asking my officials to examine the issues quickly and prepare a further paper outlining the scope for action, so that we can take a considered decision.

12. Unless I hear otherwise from colleagues by lunchtime on Thursday 12 June, I propose to issue the circular by the end of this week and that we should proceed with further work on the lines set out above.



13. I am copying this minute to other members of the Cabinet and to Norman Fowler and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'M. H. ...'.

MH

11 June 1980

DRAFT CIRCULAR LETTER TO LOCAL AUTHORITIES IN ENGLAND AND WALES

LOCAL AUTHORITY CURRENT EXPENDITURE 1980/81

1. The purpose of this circular letter is to request all local authorities to revise their current expenditure plans for 1980/81 to bring them into line with the Government's expenditure plans and to send new returns to the Department of the Environment by 1 August 1980.
2. The information contained in the latest returns of local authority expenditure and rates in England and Wales (RER 81) indicates that in 1980/81 local authorities are planning for a volume of current expenditure 5.6% higher than the targets envisaged in the Rate Support Grant (RSG) settlement made in November 1979. The Government considers that on past experience this points to a significant and unacceptable excess volume of current expenditure over the Government's plans even when allowance is made for a tendency for budget estimates to exceed out-turn.
3. The targets for current expenditure set at the time of the RSG settlement established a figure 2% lower in real terms than actual expenditure incurred in 1978/79. To the extent that any local authority does not plan for a reduction of at least 2% in this baseline, then it will impose a need for proportionately greater reductions by other authorities in order to meet the Government's plans for the aggregate volume of current expenditure by local government in 1980/81.
4. The cornerstone of the present voluntary relationship between central and local government is that local government keeps its overall expenditure within the guidelines for public expenditure set by central government. The Government attaches great importance to this joint approach. This does, however, demand a degree of co-operation and responsibility on the part of all authorities. If local government were to fail to meet the Government's plans for the volume of local authority current expenditure, then it would be necessary for the Government to consider other means of

achieving its objectives. The Government believes however that local authorities will respond positively to this request for revised current expenditure plans.

5. Some authorities have already begun to review their budgets, but it is essential that the expenditure plans of all authorities for all services in 1980-81, bearing in mind the priority which the Government wish to be given to law and order services, should now be reviewed so that the overall total of local authority current expenditure is brought into line with the agreed volume provided for in the RSG settlement.

6. In revising their expenditure projections, local authorities will need to look particularly carefully at their manpower requirements. Expenditure on wages and salaries accounts for around 70% of gross current expenditure. The Government does not believe that local authorities will be able to achieve and sustain the reductions in current expenditure implied by its public expenditure plans without more substantial reductions in manpower than have been achieved or planned so far. Every authority should further consider the scope for staff saving. Particularly, every authority should exercise the tightest control by elected representatives of recruitment policies and procedures.

FURTHER ACTION

7. The Government will examine the information in the revised budget returns in the context of preparations for the RSG settlement and capital expenditure allocations to be announced in November.

BACKGROUND

8. Since taking office the Government has therefore taken the following steps in relation to local authority expenditure:

- (i) in Circular 21/79 authorities were asked to freeze recruitment wherever possible and reduce their volume of current expenditure in 1979/80 by 3% below that envisaged in the November 1978 RSG settlement - ie roughly 1% below outturn for 1978/79;

(ii) in his statement of 31 July 1979, the Secretary of State for the Environment announced that the volume of local authority current expenditure in England and Wales in 1980-81 should be 1% below the revised volume set for 1979-80 ie 2% below the actual volume of current expenditure in 1979/80. Details were embodied in the public expenditure White Paper of November 1979 (Cmnd 7746);

(iii) in the following public expenditure White Paper of March 1980 (Cmnd 7841) the Government reaffirmed the volume target for 1980-81 and indicated that the total volume of local authority current expenditure is expected to fall by about 2% in 1981/82, 1% in 1982/83 and 1% in 1983/84.

LIKELY OUTTURN

1979-80

9. The returns show current expenditure for 1979/80 about £300m (November 1978 prices) below authorities original budgets. But those budgets represented a significant (3½%) planned increase above the level of the original RSG settlement and imply current expenditure 1% above the original RSG settlement level and therefore 4% above the target set by the Government in Circular 21/79. This means that what might be seen as a cut of £300m could actually be a 1% increase. On the basis of past experience the actual outturn should be lower than these revised estimates imply but the Government consider that the actual outturn for 1979/80 will be around the level of the original settlement and therefore substantially above the revised targets. To the extent that local authorities have failed to achieve in 1979/80 the 1% reduction in real terms from 1978/79, then the whole of ^{the} 2% reduction should be achieved to meet the 1980/81 target.

1980-81

10. As already explained the budgets for 1980-81 show that local authorities are planning in aggregate for a volume of current expenditure 5.6% (£700m at November 1979 prices) above that provided for in the RSG settlement. It is these figures that must be significantly reduced. They are well above the margin by which local authority budget estimates have in recent years exceeded the volume envisaged in RSG settlements.

ADDITIONAL RETURNS

11. Local authorities are therefore asked to re-examine urgently the volume of their net current expenditure projections for 1980/81, including the income from fees and charges which they expect to receive in that year, and to submit revised plans. Forms and detailed guidance on their completion will be provided separately in the next few days. They should be returned by 1 August 1980.

12. Local authorities should note that current expenditure is broadly defined as expenditure on wages, salaries, goods and services, net of income from fees and charges. Therefore reductions in revenue contributions to capital outlay, loan charges and rate fund contributions to housing revenue accounts cannot be counted towards the Government's target for reductions in current expenditure. Details of how current expenditure is defined for the purposes of the RSG will be included with the RER forms for the revised budgets to be sent to authorities.

13. Enquiries about this letter should be addressed to Mr L B Hicks (01-212 4717) and about the forms for the revised budgets to Mr C Warren (01-212 4475).

A

SECRETARY OF STATE FOR THE ENVIRONMENT

LOCAL AUTHORITY EXPENDITURE 1980-81

As the Minister responsible for largest single local government service, which accounts for half of its total current expenditure, I should like to comment on your minute of today to the Prime Minister.

I agree with you that we should seek to eliminate any prospective overspending this year, a point that I will stress when I speak to the ACC on 2 July. But I wonder if paragraph 3 of the draft circular might not be better omitted. It does not seem to add anything to the message we want to get across; yet by implying that all authorities, whatever their needs and responsibilities and past record of spending, should make the same cut in their 1978-79 figures, we run the risk of antagonising our friends in the ACC, many of whom have done their best to respond to our call for economy.

I also have two points on your list of suggestions for possible future action.

- i. A blanket cut in the RSG cash limit would be inappropriate both for the reason given (which I entirely endorse) in E (80) 42 and because of your assurance to the Consultative Council on 21 November that, variations in interest rates apart, it was firm and that the Government intended that there should be no further adjustment to it.
- ii. A blanket moratorium on all new capital schemes from August to March would mean, in relation to schools required to provide extra places where the population is still growing, that we might make it impossible for local authorities to meet their statutory obligations.

These two issues, and the concern that you yourself express about the effect of your proposals on central/local relations, seem to me to justify very early discussion at Ministerial level.

I am sending copies of this minute to the Prime Minister, the other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.

Mark Carlisle

PP MARK CARLISLE
(Dictated by the Secretary of
State and signed in his absence)
11 June 1980

111 JUN 1960

111 JUN 1960

[Faint, mostly illegible text and lines, possibly bleed-through from the reverse side of the page]

~~Example~~

CONFIDENTIAL

Ref. A02223

PRIME MINISTER

Local Authority Current Expenditure in 1980-81

(E(80) 42 and E(80) 44)

BACKGROUND

In his minute of 7th May the Secretary of State for the Environment reported to you that the returns for local authority current expenditure in England and Wales pointed to an overrun of 2 to 3 per cent in 1980-81. On 12th May the Secretary of State for Scotland reported a similar picture for his local authorities. The two papers now circulated set out their proposals for dealing with this.

England and Wales: E(80) 42

2. The Returns of Expenditure and Rates (RER) for 1980-81 suggest a 'raw' excess of 5.6 per cent. Experience suggests that shortfall is likely to bring this down to 2 to 3 per cent (£280 million- £425 million cash).

3. The Secretary of State for the Environment has to be in a position to announce the Government's intentions for dealing with this when he meets the Consultative Council on Local Government Finance on 3rd June.

4. He proposes that he should then call for revised budgets by beginning of August, and that discussions should be opened immediately at official level.

5. It is open to the local authorities to put forward their own proposals. But he seeks the agreement of E to his raising, if necessary, the possibility of deploying the four options listed in his paragraphs 5-8:-

- (i) The presentation now to each local authority of their figures measured against the national target (paragraph 5).
- (ii) Improvement of the information in future years to enable more accurate estimates of individual and general performance to be made (paragraph 6).
- (iii) The threat of a cut in the Rate Support Grant (RSG) Cash Limit for 1980-81, recognising that this would penalise the good as well as the bad (paragraph 7).

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- (iv) The threat that in the future years annual capital allocations could be cut pro rata to an increase in current expenditure.

He rejects:-

- (i) Statutory cash limits on individual local authorities. They could not be introduced this year, and there would be major administrative difficulties and constitutional objections to doing so later (paragraph 9).
- (ii) Action now to use the transitional arrangements - pending the introduction of the new Block Grant system in 1981-82 - to deal with particular offenders. He is considering this further. But it appears that the impact would be too unfair (paragraph 11).

Scotland: E(80) 44

6. The Returns for Scotland also show that a two to three per cent overrun (£35 million - £50 million) is likely in 1980-81 after allowance for probable shortfall.

7. The Secretary of State for Scotland has already asked the authorities to submit revised expenditure plans. He will decide on further action after his meeting with the Convention of Scottish Local Authorities on 20th June.

8. He is prepared to deploy the same options and tactics as proposed by the Secretary of State for the Environment, with allowance for the different arrangements in Scotland. In particular:-

- (i) He can already reduce Grant to an authority whose expenditure has been excessive and unreasonable, and he has warned the Convention that he will do so (paragraph 8).
- (ii) He has also informed the Convention that he is considering seeking additional powers to reduce RSG to individual authorities (and he will be circulating proposals on this to E shortly).

HANDLING

9. After the Secretaries of State for the Environment and for Scotland have introduced their papers, the Secretary of State for Wales will wish to comment. You might then ask each of the Ministers with local authority responsibilities to speak - the Secretaries of State for the Home Department, Education, Social Services, and the Minister of Transport. The Chief Secretary, Treasury will wish to comment on the financial implications.

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10. In discussion you will wish to cover the following questions:-

(a) Is it accepted that action should be taken immediately?

The case for vigorous and early action seems compelling. A substantial potential excess has been identified and shortfall will not deal with the whole of the problem. As the Chief Secretary, Treasury pointed out in his minute of 12th May to you, the Committee on the Treasury and the Civil Service is already sceptical about the Government's ability to stick to public expenditure plans, and any failure to act on this problem will reinforce public doubts. In any case the Government is pledged to reduce waste and inefficiency in the local authorities, as elsewhere in the public sector, and to set the framework for a more rigorous approach to pay settlements and local authorities, with the nationalised industries as the most leaky parts of the whole process. Pressure must, therefore, be maintained on them if the overall economic strategy is to succeed. To call for proposals to deal with potential excess seems to be the minimum that should be done now.

(b) Are the options - paragraphs 5-8 of E(80) 42 - to be supported?

In practice they do little to bite directly on the 1980-81 problem. But the threat of action should be useful in influencing attitudes; and there can be little objection to the proposals for getting better information as a basis for control.

(c) Should more be done?

Even if Ministers were disposed to look again at the possibility of cash limits on individual authorities these could not be imposed in 1980-81, and it would be better to ask for a further and separate report. It is unfortunate that, pending introduction of the new Block Grant arrangements, penalties cannot be imposed this year on other than a few of the worst offenders. Anything more would take the Government into the area of very rough justice between authorities. At this stage in the year the tactics of mounting a general attack, as proposed, seems the most practicable course.

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(d) When should progress reports be called for?

You may wish to ask the Secretary of State for the Environment to write to you, and other members of E, on the outcome of his discussions of 3rd June; and to report immediately after the Summer Recess on the position in the light of the revised budgets which he will be getting in the first week in August.

(e) Are the proposals for Scotland acceptable?

The Secretary of State for Scotland has already taken action to demand revised returns. He also appears better placed to penalise offenders now, and he is very willing to deploy further options in negotiations. It seems, therefore, that he is doing all that he can for the time being. You may wish to ask him to report progress after his next meeting with the Convention on 20th June.

CONCLUSIONS

11. In the light of the discussion you may wish to record conclusions:

- (i) Reaffirming vigorously the objective of taking measures to get local authority spending back on target in 1980-81.
- (ii) Authorising the Secretary of State for the Environment to announce on 3rd June to the Consultative Council on Local Government Finance that the Government intends to call for revised budgets by the first week in August, and to deploy his proposed options for further action in discussion as necessary.
- (iii) Inviting the Secretary of State for the Environment to report in writing to you, and to members of E, on the outcome of his 3rd June meeting, and to report again after the Summer Recess in the light of the returns due in August.
- (iv) Endorsing the action being taken by the Secretary of State for Scotland and inviting a progress report from him in the light of his next meeting with the authorities on 20th June.

RA

ROBERT ARMSTRONG

21st May, 1980



OFFICE OF THE SECRETARY OF STATE

MEMORANDUM FOR THE SECRETARY OF STATE

1. The Department is pleased to advise you that the Secretary of State has approved the proposed plan for the establishment of a new office in the Department of State. The plan provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office.

2. The proposed plan for the establishment of a new office in the Department of State is as follows:

(a) The proposed plan provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office.

(b) The proposed plan provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office. The plan also provides for the establishment of a new office in the Department of State, which will be headed by a Chief of Office.

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21 MAY 1950

ROBERT A. ROBERTSON

SECRETARY OF STATE

CONFIDENTIAL

BK



File

~~Plan for~~
Local Govt

10 DOWNING STREET

From the Private Secretary

14 May 1980

~~BE 20.5.80~~ - superseded by E on 22/5

Dear David,

Local Authorities - Return on Expenditure and Rates

The Prime Minister has now considered your Secretary of State's minute of 7 May on the above subject, and also the minutes of 12 May from the Secretary of State for Scotland, the Secretary of State for Education and the Chief Secretary.

The Prime Minister is extremely concerned about the planned over-runs in expenditure which have been revealed in the Local Authorities' Budget Estimates. She has noted that the Secretary of State for Scotland has already asked the Scottish authorities to review planned expenditure without delay, and that he proposes to ask that revised budgets be submitted. She understands that your Secretary of State is considering similar action, and that he will be circulating proposals early next week on what further measures should be taken.

I am sending a copy of this letter to Private Secretaries to members of the Cabinet, the Minister of Transport and David Wright (Cabinet Office).

me

Tim L...

D.A. Edmonds, Esq.,
Department of the Environment

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PRIME MINISTER

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R.

LOCAL AUTHORITIES - RETURN OF EXPENDITURE AND RATES

The Secretary of State for the Environment has sent me a copy of his minute to you of 7 May.

The situation which he reports is disturbing. I entirely agree with his proposals for action and with what he suggests our stance should be if the excess becomes public.

There have already been public expressions of scepticism about our ability to bring down expenditure as planned by 1983-84 (by the Parliamentary Committee on the Treasury and the Civil Service, for example). If we are not seen to respond promptly and decisively to the threatened overspend by local authorities in the current year, this will further affect confidence in our ability to reduce expenditure.

I am copying this minute to other members of the Cabinet including Norman Fowler and to Sir Robert Armstrong.

W J B

JOHN BIFFEN

12 May 1980



12 MAY 1960



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

This was presaged by
Mr Henderson's minute reporting
on the situation in England
and Wales. See also the Chief
and Mr Little's at Flag B.
Secretary's minute at Flag A. I shall
I say that you too are extremely
concerned, and that you look forward

At

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Yes min

Prime Minister

LOCAL AUTHORITIES, SCOTLAND: BUDGET ESTIMATES 1980-81 <sup>to Mr Henderson's further
minute with further proposals
for action?</sup>

1. This minute reports on recent discussions which I have had with the Convention of Scottish Local Authorities about the level of current expenditure planned by authorities in Scotland in 1980-81 and on further action which I propose.
2. Shortly after we came to office I asked Scottish local authorities to reduce their planned expenditure in 1979-80 to the level assumed by my predecessor for the 1978 rate support grant settlement, and below that if possible. The provisional outturn indicates that net actual expenditure in 1979-80 is slightly below the settlement figure.
3. For 1980-81, the settlement figure was 2 per cent less in real terms than in 1979-80. Budget estimates submitted by authorities indicate that they are planning to spend some 4.5 per cent more than the settlement figure. Past experience suggests that normal shortfall would reduce the excess to 2-3 per cent. This is similar to the position in England and Wales reported to you by the Environment Secretary's minute of 7 May.
4. Budget estimates are available earlier in Scotland than in England and Wales because there are fewer authorities. In addition, any action to curb expenditure in the current year has to be taken well before the Scottish holidays in July.
5. When I met the Convention on 18 April I left them in no doubt that the planned excess, which is quite incompatible with the national interest, would have to be eliminated. I asked them to arrange for authorities to review planned expenditure without delay, and told them that I would issue a circular to all authorities. Because of the time factor I will have to issue the circular before the final decision is reached on action in England and Wales. A draft has been circulated to Departments primarily concerned with local authority expenditure in England and Wales to ensure that its terms will not cause any consequential difficulty. It will ask for revised budgets to be submitted. I also indicated that I would not hesitate, where this would be justified, to use my existing powers to

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reduce grant to individual authorities who have spent excessively and unreasonably and that I am considering seeking stronger statutory powers. (On the latter point my proposals will be submitted to H Committee shortly.)

6. I am sending copies of this minute to other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.

G.Y.

SCOTTISH OFFICE
12 MAY 1980



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12.

PRIME MINISTER

LOCAL AUTHORITIES - RETURN OF EXPENDITURE AND RATES

As the Minister with responsibility for much the largest local authority service in England I should like to make two comments on the Environment Secretary's minute of 7 May.

2. He notes that the local authority budgets for 1980-81 imply a volume of current expenditure at least $4\frac{1}{2}$ per cent above the RSG settlement level and suggests that normal shortfall might reduce this only to 2-3 per cent. On past experience, and having regard to pay settlements still to come, the actual excess in volume may well be less than this.
3. Second, the provisional estimates so far available to me for education, excluding meals and milk, show an excess of about 2 per cent (corresponding to the $4\frac{1}{2}$ % for all services) which, on past form, one would expect largely to disappear in the outturn. If there are considerable variations between services - more important, to my mind, than variations between authorities - this must influence the nature of any action we might take.
4. The Environment Secretary is wholly right to draw attention to the warning signs in local authority expenditure but we need more detailed analysis of the figures, and discussion of them with the local authorities, before reaching conclusions.
5. I am sending copies of this minute to the other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.

Mark Carlisle

MARK CARLISLE

(Approved by the Secretary of State and signed in his absence)

12 May 1980

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12 MAY 1960



Domi Anitsh

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✓ Mr. [unclear]
Mr. [unclear]
Mr. [unclear]

[Handwritten signature]

This warning note reveals
a very serious situation,
with local authorities

7 May 1980

budgeting for far higher
expenditure than we envisaged.
Mr. [unclear] will come back
with proposals for dealing
with it.

PRIME MINISTER

LOCAL AUTHORITIES - RETURN OF EXPENDITURE AND RATES

My Department has been examining the returns of local authorities' revenue budgets for 1980/81 and their revised estimates for 1979/80. Officials will be discussing the figures with the local authority associations next week, but on the face of it I find the results most unsatisfactory.

12

8/5

Briefly, the returns imply that for 1979/80 the volume of current expenditure was some 1% above the original RSG settlement level (ie that made by my predecessor in November 1978) and therefore 4% above the revised level which I requested when we came into office. For 1980/81, the figures look even blacker. They imply a volume of current expenditure at least 4½% above the level which we envisaged in making the RSG settlement for this year. (I understand that an almost identical overspend is planned by local authorities in Scotland).

The local authority associations will argue on the basis of past performance that planned budgets normally exceed actual out-turn by some way. Nevertheless, my officials believe that normal shortfall could only reduce the planned excess to between 2-3%. I consider that such an overspend is a totally unacceptable response on the part of local authorities to our requests for economies and can only serve to distort the Government's public expenditure plans. We must, therefore, decide in the near future what the Government's response should be.

We can call for revised budgets - I understand that George Younger is proposing to ask Scottish authorities to revise their budgets in the light of a similar volume excess in Scotland. But this is probably the least we should do. We have to consider what action we should take if a call for revised budgets does not result in the elimination of what we finally judge to be the degree of volume excess in the current budgets. I think that

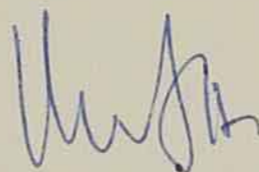
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follow-up action in this event will probably involve use of the Rate Support Grant mechanisms, including possibly the transitional arrangements provided for in the Local Government Bill to reduce grant in relation to overspenders. But any decisions must await a detailed analysis of which authorities are responsible for the excesses and why. This exercise is in hand and I will report to colleagues as soon as possible. Certainly we must be ready with a response by the time the Consultative Council meet on 3 June.

I propose to circulate detailed proposals to colleagues for consideration in the week beginning 19 May, after our officials have met the local authority associations to discuss the budget returns on 15 May.

In the meantime, if the figure of 4½% excess becomes public, I suggest our public stance should be one of real concern, and intention to discuss with local government at the Consultative Council on 3 June.

I am copying this to other members of the Cabinet, Norman Fowler and Sir Robert Armstrong.



MICHAEL HESELTINE

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1-8 MAY 1960

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Local Govt

MB

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10 DOWNING STREET

on Transport
Jubilee line
- June 79

From the Private Secretary

14 April 1980

The Prime Minister has seen Mr. Fowler's minute of 2 April, about Docklands transport. She has also seen the Chancellor of the Exchequer's minute of 26 March, about the local authority capital receipts. She is pleased to note that a way ahead is now emerging.

I am sending copies of this letter to Martin Hall (H.M. Treasury), Peter Cash (Department of the Environment) and David Wright (Cabinet Office).

M. A. PATTISON

Mrs. E. C. Flanagan,
Department of Transport.

CONFIDENTIAL

GP

CONFIDENTIAL

MAP 2
to see in
PRIME MINISTER

A further progress
report
MS

Prime Minister

MS
cc Transport
- Jubilee line
- June 78

I met Horace Cutler yesterday to discuss with him the continuing work by officials on lower cost alternatives to the Jubilee Line and the next steps before decisions are taken on a total transport package for Docklands in the summer.

The work now in hand, including studies of engineering feasibility, costs and environmental impact of the light rail alternative, will provide a reasonably firm basis for decisions by June. In the meantime I have agreed with Sir Horace that the initial joint report by our officials should be published later this month as a basis for consultation and public discussion of the alternatives.

The share of London's main programme expenditure that is allocated to Docklands will reflect the high priority given by the Greater London Council and by my Department to developments there. Nevertheless the difficult expenditure outlook will severely limit the scope for any further increases and the size of the Docklands package will almost certainly depend on the extent to which Horace is able to supplement the local transport main programme expenditure by the use of capital receipts. I therefore took the opportunity to outline to him our thinking about these as set out in Geoffrey Howe's minute to you of 26 March. Although I did not go into details he is broadly content with what is proposed. Tom King is in touch with the GLC about the application of new capital control system to them and the related question of the future of the GLC Money Bill.

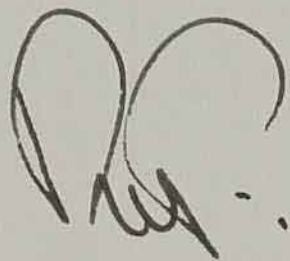
[attached]

CONFIDENTIAL

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The next step will be to produce a realistic investment package, taking account of all sources of funding. Officials will be working on this over the next few weeks as a basis for consultation with colleagues in good time before announcements are made in the summer.

I am sending copies of this minute to Geoffrey Howe, Tom King, Members of Misc 28, Mark Carlisle, Patrick Jenkin and Sir Robert Armstrong.



NORMAN FOWLER
2 April 1980

CONFIDENTIAL



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APR 1980

RESTRICTED



10 DOWNING STREET

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Capt. Gent. Arms

From the Private Secretary

31 March 1980

Local Govt

LOCAL AUTHORITY CAPITAL RECEIPTS - TRANSPORT

The Prime Minister was grateful for the Chancellor's minute of 26 March on the above subject, and she has noted that under the new system of local authority capital controls, the GLC will be able to use their capital receipts starting in 1981/82. She is content with the new arrangements, provided Sir Horace Cutler is also content: no doubt Mr. Fowler will report back when he has explained the position to Sir Horace.

I am sending copies of this letter to the Private Secretaries to the Minister of Transport, the Minister for Local Government, the Members of MISC 28, the Secretary of State for Education, the Secretary of State for Social Services, and Sir Robert Armstrong.

T. P. LANKESTER

M.A. Hall, Esq., MVO,
HM Treasury.

T.P.L.



It seems that under the new system of LA capital controls the GLC will be able to use the capital receipts from 1981/82.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Mr Fowler and Mr King are entirely content.
Are you content?

PRIME MINISTER

Yes if Horace
Cutler is content

Th.
27/3

LOCAL AUTHORITY CAPITAL RECEIPTS - TRANSPORT

Following our brief discussion on 29th February, I undertook to consider further the treatment of local authority capital receipts, in the particular context of Sir Horace Cutler's proposal to finance major transport projects from accumulated receipts.

2. I have now discussed this with Norman Fowler and Tom King.

3. The new system of capital controls will come into effect in 1981-82. For 1980-81, the position remains the same as in previous years. The level of GLC capital spending for each service has been settled between Departments and the GLC in line with the planned public expenditure provision for that service. There is therefore no room to accommodate increased spending by the GLC from the use of accumulated capital receipts in that year. So that if in 1980-81 the GLC wish to finance new transport projects from accumulated capital receipts, it is for Norman Fowler to decide:-

- (a) whether the schemes are satisfactory from the point of view of transport policy; and
- (b) whether such spending can be accommodated within the total planned public expenditure provision for transport.

4. When the new system of local authority capital controls comes into effect in 1981-82, the following changes will be made.



5. First, although capital allocations will be calculated in service terms, individual authorities will be free to spend their total allocations as they wish between services. Switching will not need Whitehall approval.
6. In consequence, service Departments will no longer be responsible for separate capital cash limits. Instead, the Department of the Environment will be responsible for one, overall cash limit, covering total local authority capital spending in England.
7. Secondly, all local authorities, including the GLC, will be free to finance projects from accumulated capital receipts over and above their annual allocations. This will give the GLC more freedom than under the current Money Bill arrangements.
8. Thirdly, specific Government approval for individual projects will be needed only where these are considered by the responsible Minister to be of national or regional importance. In considering such projects, the Minister would need to take a view on their economic justification.
9. The overall cash limit on local authority capital expenditure will be net of expected capital receipts in each year and the Government will have to decide what figure to assume for these receipts. The DOE will be responsible for controlling actual net spending in the year against the cash limit.
10. In theory, it would be possible for expenditure of accumulated past receipts by authorities to result in an excess over the cash limit. In practice, the total of these receipts spent in any one year will be relatively small and may be offset by underspending.
11. If there is over-spending, the corrective action required will depend on circumstances at the time. But I accept Norman Fowler's point that, if it proves necessary to restrict expenditure
/allocations



allocations, local authorities' freedom to vire between services means that any such decision should apply to all services. It should also apply to all authorities since it would not be fair to load all the reduction on to the particular authorities which were spending accumulated receipts.

12. On this basis, I conclude that the new controls should not involve special difficulties in relation to the GLC's current proposals: those of national or regional importance will be subject to the Minister's approval on transport policy grounds. And thereby hangs a tale - which it is for Norman Fowler to tell. If you agree he can explain the position to Sir Horace Cutler.

13. I am sending copies of this minute to Norman Fowler and Tom King, and to members of MISC 28, Mark Carlisle, Patrick Jenkin, and Sir Robert Armstrong.

Mr Fowler is seeing Horace Cutler on Monday, and report back to you.

TL
27/3

(G.H.)

26 March 1980

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27 MAR 1980

UNIVERSITY OF MICHIGAN

PRIME MINISTER

H Committee this morning decided to press ahead with Mr. Heseltine's block grant proposals. They rejected the idea of deferring introduction until 1982/83. The one slight change in strategy was an agreement that the publication of standard expenditure assessments and standard rate poundages would be discretionary rather than mandatory for the present. The Secretary of State will consult colleagues further about how he should use the discretion later.

This may come up again in the Standing Committee tomorrow. At this morning's discussion, there was some nervousness about the Government's ability to carry its proposals in the Committee. Messrs. Waldegrave and Squire were thought to be unconvinced of the merits of the proposals. But I hear that Mr. King is now confident that they have been persuaded.

10 March 1980

NBP 14

MAA

With the Compliments
of the
Secretary of State

Scottish Office,
Dover House,
Whitehall,
London, S.W.1 A 2AU



Local Government

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

→ *Miss P.*

7 March 1980

Dear Secretary of State,

You sent me a copy of your letter of 5 March to Willie Whitelaw, about the outcome of your meeting with the Chairman of the local authority associations in England and Wales to discuss their alternative proposals to block grant. I have also seen a copy of Mark Carlisle's letter of 6 March.

I can well understand the reasons which prompt you to suggest that the introduction of block grant in England and Wales should be in 1982-83 rather than in 1981-82 but I do not wish to offer any more detailed observations on the situation in England and Wales. The Scottish Office is currently engaged in discussions with the Convention of Scottish Local Authorities on the possible changes in the Scottish rate support grant system, and the conclusions which I reach in due course are likely to differ from yours, reflecting the rather different circumstances in Scotland. At the appropriate time I shall bring my conclusions before you and our colleagues.

I am sending copies of this letter to the Prime Minister, to Willie Whitelaw and to other members of H Committee and to Sir Robert Armstrong.

*Yours Sincerely
Janice Sturges*

(Approved by the
Secretary of State and
signed in his absence.)



1-11-1900

[Faint, illegible handwritten text]

CONFIDENTIAL



3 pps

Treasury Chambers, Parliament Street, SW1P 3AG

7 March 1980

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

Dear Michael,

File with MAP today

BLOCK GRANT

Thank you for sending me a copy of your letter of 5 March to Willie Whitelaw about your recent discussion with leaders of the local authority associations on their alternative proposals to block grant.

I attach considerable importance to the objective set out in the second paragraph of your letter of modifying the present grant distribution arrangements in such a way as to provide a disincentive to excess expenditure and to bring pressure to bear on individual authorities which are reluctant to bring their expenditure within reasonable limits. I agree with your conclusion that the associations' proposals, though they represent some degree of movement on their previous position, do not meet this aim satisfactorily, in particular because of their refusal to contemplate any progressive link between grant and expenditure for an individual authority and a mechanism to deal with overspending authorities which do not receive resources element. I would therefore endorse your conclusion that we should press ahead with the block grant proposals.

But I have reservations about both the concessions which you propose. Naturally, I share your concern that published standard expenditure assessments might put upward pressure on low spending authorities, and we shall need to consider carefully how the figures can best be presented to minimise this risk. But if we decided not to publish standard expenditure assessments and standard rate poundages for individual authorities, this would remove an element of greater local accountability which you have rightly presented as an important

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feature of block grant, and which is a consistent theme in our present policies towards local government. Furthermore I am very doubtful whether in practice it would be possible to withhold information of this sort, which is inherent in the grant distribution calculations, from Parliament and other interested parties. I appreciate that your proposal involves no more than making publication discretionary rather than mandatory, and there may be a case for adopting a low profile during the first year or so while the new system of standard expenditure assessment is settling down. Subject to this, however, I do not think that we could or should decline to publish the figures for individual authorities.

I see a number of difficulties about your proposal that you should announce now that the introduction of the new arrangements will be deferred until 1982-83. I appreciate of course that the timetable for resolving the difficult technical problems on standard expenditure assessment and block grant is very tight, particularly if local authority co-operation is not forthcoming. But I do not think we should conclude now that it is not feasible to have a viable system in place by 1981-82. Postponement until 1982-83 is bound to be seen as a weakening of the government's position on block grant: it is unlikely to buy local authority goodwill but rather to stimulate greater pressure to modify or drop the proposal. The "standstill" distribution and transitional arrangements for 1980-81 were presented as strictly temporary, one year, expedients, pending the introduction of a new system in 1981-82. Apart from the obvious difficulties of extending the transitional arrangements for another year, I am seriously concerned that a further "standstill" distribution may, like last year, involve problems with the share of grant going to the shire counties and thus inhibit a decision to reduce the grant percentage, which may well be necessary next year if we are to keep a firm grip on local spending. My view is therefore that we should stick to our decision that the new block grant system should be introduced in 1981-82.

I am copying this letter to the Prime Minister, the other members of H Committee and to Sir Robert Armstrong.

Yours
John Biffen

JOHN BIFFEN

CONFIDENTIAL

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7-7 MAR 1940



2

10 DOWNING STREET

PRIME MINISTER

You had a glance at Mr. Heseltine's letter to the Home Secretary about local authority counter-proposals on block grant. You should also be aware of the attached letter from Mr. Carlisle, seeking early Ministerial discussion. H Committee will convene on Monday to pursue this.

MAF

no

7 March 1980

CONFIDENTIAL



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon William Whitelaw CHMC MP
Secretary of State for the
Home Department
50 Queen Anne's Gate
London SW1

6 March 1980

Dear Willie,

Michael Heseltine sent me a copy of his letter of 5 March to you about block grant.

I am aware of the difficulties over timing to which he refers at the beginning of his letter, although I should have thought that these might be overcome by a business motion in the Standing Committee to defer consideration of Part VI of the Local Government Planning and Land Bill until later in the proceedings. In any case I am sure that we must have a meeting to take a collective decision on a matter of this kind which is of major importance to relations between central and local government (and to the education service). This meeting to my mind will have three purposes:-

- i. to see if there is any possibility of reaching agreement with the local authorities associations even if on an amended version of their scheme;
- ii. to enable us to refute any allegation that we have not collectively considered it even if in the event we reject it; and
- iii. to consider the effect on the block grant system of the concessions that Michael Heseltine proposes.

May I therefore ask that, as I suggested in my letter of 29 February, the matter should be discussed at a meeting of Ministers at a convenient date next week?

I am sending copies of this letter to the Prime Minister, the other members of H Committee and Sir Robert Armstrong.

*James ever
Mark*

MARK CARLISLE

CONFIDENTIAL



10 DOWNING STREET

Cabinet Office will
advise on meeting
of Ministers +
PM's involvement

MA 6/3

How your pocket will be hit as town halls ask for more cash

London ratepayers set to pay another 31%

by Michael King

THE City of London Corporation today announced a 22 per cent rate rise — its biggest increase for five years.

Offices and other commercial premises in the Square Mile will have to pay a new rate of 95.1p in the £ — a rise of 17.3p.

Their only consolation is that this is slightly less than the 24 per cent average rise for the other 28 London boroughs which have so far declared their rates.

The City's 3000 or so householders, most of them living in the Barbican, are being particularly hard hit.

Their rates are going up by 35.6 per cent, adding £90 a year to the rates bill of the average City resident.

Lion's share

Their plight is partly the fault of the Government, which has trimmed back the special domestic rate relief for householders living in expensive parts of Central London.

The lion's share of the rates cash collected in the City is passed on to the GLC and the Inner London Education Authority. Out of £216 million to be levied in the coming financial year £168 million will go to County Hall, £121 million of it for the Labour-controlled ILEA.

The City's own spending is

up by £12 million to £44.5 million.

An analysis of domestic rates so far announced shows that London's 1,600,000 householders will be paying an average of 30.7 per cent more. This is not a record. In 1975 the average was nearly 50 per cent.

In cash terms Mr Average Londoner will pay an extra £62 this year making his payment to the town hall £268. This figure may of course vary slightly when the remaining four boroughs declare their rates.

Householders in inner London are under extra

pressure this year because of the ILEA's massive 25 per cent rate rise. Of the 13 councils which finance the ILEA, 11 have so far declared rises averaging 34 per cent.

They include top-of-the-league Lambeth with a rise of 49.5 per cent, almost certain to be the record this year. Next come Hackney 48.9 per cent, Lewisham 48.2 per cent and Southwark at 46.6 per cent. All are Labour controlled boroughs whose leaders have not taken kindly to the Government's call for cuts. Only Tory Wandsworth, among the inner London boroughs, has so far managed

to keep its rise under 20 per cent.

At the other end of the table Tory Croydon looks like winning the accolade for the lowest rate rise at 10.8 per cent.

Last night's council budget meeting at Camden confirmed that the average rates bill will be more than £400.

The domestic rate goes up 31.3 per cent to 112.7 in the £.

Former Tory Opposition leader Alan Greengross, now a senior GLC member, complained that every year Camden spent more and achieved less. He said: "We have not

HOW THEY COMPARE

THIS TABLE shows the domestic rate increases of the 29 boroughs so far declared and how much more it will cost the average householder in the coming financial year.

Borough	Domestic rate rise (%)	Average payment in £s up	to	Borough	Domestic rate rise (%)	Average payment in £s up	to
Lambeth (Lab)	49.5	102	308	Enfield (C)	29.1	54	241
Hackney (Lab)	48.9	83	255	Barking (Lab)	28.4	47	215
Lewisham (Lab)	48.2	78	240	Harrow (C)	27.7	66	305
Southwark (Lab)	46.6	85	270	Sutton (C)	23.8	41	212
Waltham Forest (Lab)	42.6	82	275	Merton (C)	23.7	43	228
Newham (Lab)	42.2	58	196	Barnet (C)	23.4	54	286
Hounslow (Lab)	41.4	74	255	Kingston (C)	20.4	39	234
Islington (Lab)	40.9	104	359	Redbridge (C)	19.8	34	210
Brent (Lab)	38.6	86	310	Richmond (C)	19.8	40	243
Tower Hamlets (Lab)	36.1	69	261	Bexley (C)	19.4	38	234
City (Ind)	35.6	90	408	Bromley (C)	17.9	33	218
Camden (Lab)	31.3	97	377	Wandsworth (C)	17.9	29	195
Westminster (C)	30.8	88	256	Hillingdon (C)	14	29	239
Havering (C)	29.7	58	185	Croydon (C)	10.8	18	185
Kensington/Chelsea (C)	29.6	84	371				

Still to declare: Ealing, Hammersmith, Greenwich, Haringey.

crumbled around our own feet."

But Labour leader Roy Shaw said the council was determined not to cut the overall level of services.

He added: "Nor will we cut the level of jobs, thus creating unemployment."

So far a dozen London boroughs have broken through the 119p national uniform rate barrier set by Environment Secretary Michael Heseltine.

His officials used this figure to calculate rate support grant and the Minister has warned that those exceeding

IN BRIEF

ILEA clothing vouchers go up

THE Inner London Education Authority will be increasing the value of its clothing vouchers by 13 per cent in September, it was announced today. Inflation the bill is likely to be the same as last year's. The scheme cost £1,650,000 in 1979-80 and it is estimated that applications totalling £1,824,000 applications totalling £1,824,000 will be sent in for 1980-81.

Club owner's bail renewed

CLUB OWNER Ronald Knight, 45, was remanded on bail again today when he appeared in court at Lambeth accused of murder and criminal damage. Knight, husband of actress Barbara Windsor, is on £200,000 bail. He will appear before magistrates again on April 10.

Warehouse blaze

FIRE badly damaged the John Lester food warehouse in London's Old Kent Road, that they could not serve under a Patriotic Front government.

Money they left

CAPITAL Transfer Tax is payable on the net amount.

NET
Mr Edward Terrell, OBE, QC, Keats Grove, Hampstead, former Recorder of Newbury, inventor of a rocket bomb for use against war-time U-boat shelters. (£262,810 gross)£246,382

Mr Arthur Larke, Clarence Crescent, Windsor. (£196,530 gross)£182,984

Mr Reginald Hughes, Wellington Place, St. John's Wood (£140,263 gross)£128,000

Times
6.3.80

HOME NEWS

Councils keep down spending by cutting services while leaving bureaucracies intact

By Christopher Warman
Local Government
Correspondent

Most councils in England and Wales have made spending cuts this year in accordance with the Government's guidelines, but they have failed to reduce their staffs by an equivalent amount, a survey by the Conservative Central Office has disclosed.

The result in many cases is that councils have made severe cuts in services while keeping their bureaucracies intact, Sir Frank Marshall, a Conservative party vice-chairman, believes.

There are some notable exceptions, largely among Conservative-controlled authorities. Labour authorities have been reluctant to make any cuts in services or to reduce their staffs.

The survey was set up by Sir Frank, who was concerned by what appeared to be the Government's hostility towards local government as evidenced by its proposals for firmer control of local expenditure.

The first findings, reported in *The Times* on January 14,

showed a broad picture of determination, particularly by Conservative authorities, to reduce spending by the 3 per cent called for by Mr Michael Heseltine, Secretary of State for the Environment.

A more detailed view has emerged from the returns of about three-fifths of the 456 authorities, of which most came from Conservative-controlled councils.

Only three Conservative councils—Wyre (Lancashire), Harrogate (North Yorkshire) and Wokingham (Berkshire)—admit to having made no reductions in spending, although Wyre has trimmed its staff by 12.

Many of the Labour councils included in the survey have refused to make cuts this year and two have increased their expenditure.

Langbaugh (Cleveland) has increased its spending by 8 per cent and £67,000.

County councils in general have kept fairly close to the 3 per cent target of cuts, but many districts have made spectacular savings. Alnwick

(Northumberland) has reduced spending by 13.8 per cent (£110,000) although its staff has been reduced by only four. Derby, Labour-controlled, has made cuts of 8.6 per cent (£472,000) and 58 staff.

Conservative Barnet in Greater London reported 1.5 per cent savings (£983,000) with no staff cuts and North Yorkshire, which has made a 5 per cent cut worth £7.7m, has also kept its staff intact. Derbyshire has achieved cuts of 2.4 per cent (£5.6m), but has increased its staff by 301.

Scope for staff reductions appears to have been greater in county councils than in district councils. Nottinghamshire has made cuts of 1.5 per cent (£3.2m) and 899 staff; Essex of 3.9 per cent (£13m) and 913 staff; and Kent of 4 per cent (£12.1m) and 500 staff.

Overall the figures for staff reductions are unlikely to satisfy Mr Heseltine, who regards them as the key to savings. The expedient of filling every four vacancies with three staff in his view would enable local authorities to reach their targets.

Casino was bugged, justices told

A former detective chief inspector told licensing justices yesterday that he discovered a bugging network when he took over as chief security officer at the Victoria Sporting Club, a London casino.

Mr Arthur Phillips told the North Westminster magistrates that he found a bugging machine in the office of Mr Cyril Levan, former director and owner of the club.

Telephones on the premises had been bugged, he said, and there were tape recordings in the safe of the previous security chief's Marylebone office.

The casino's television cameras were connected by land lines to an office across the road and were monitored by two men employed personally by Mr Joel Salkin, the gaming manager, to watch his interests.

MP sees 1984 in silent Radio 4 power control

By Kenneth Gosling

There is no reason to suppose that experiments by the Central Electricity Generating Board in controlling domestic electrical equipment by signals transmitted on BBC Radio 4 raise questions of privacy or security, Mr William Whitelaw, the Home Secretary, said yesterday.

But if an operational system were proposed, all the implications would be studied, he said in a written reply to Mr Gwilym Roberts, MP for Cannock, who believes such issues are raised by the tests.

Mr Roberts said earlier: "You are moving into a 1984 society where people can be controlled by things they cannot hear."

The CEGB confirmed yesterday that an experiment was in progress in 280 homes of electricity supply

signals were being transmitted, a spokesman said, on 1,500m (the Radio 4 wavelength) from Droitwich and the homes concerned were fitted with a new experimental time-switch.

They did not interfere with normal radio programmes and could not be used without special equipment or without the knowledge of the householder. He agreed that although there was no mystery about the procedure, its potential implications for electricity supply load management were "very significant."

He added: "Obviously the ultimate decisions on how this is used will have to be taken politically."

He said it was possible at present for consumers to be put on an interruptible supply tariff which

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students
in London

Telegraph
6.3.80

one of them held Rose while he was handcuffed.

P.C. Tierney said they were taking the man to a police car when his legs buckled and he fell, striking his face on a low brick wall which caused his nose to bleed. The handcuffs were removed and he was given artificial respiration and the kiss-of-life but he did not respond.

A Manchester Rugby Club player ANDREW JOHN TYLER, an architect, said that both the policeman and Rose seemed "terribly exhausted" by their struggles.

He said he saw no blows struck by the policeman as they were walking along and Rose suddenly slumped.

ENVIRONMENT PLAN FOR BELVOIR

A plan to lessen the environmental impact of the National Coal Board's proposals to create a 91-square-mile coalfield in the Vale of Belvoir, Leics, was put forward on behalf of the Countryside Commission yesterday.

It includes comprehensive countryside management, landscaping, tree planting and a 75-year tipping programme.

Mr Christopher Symons, the commission's counsel, told the public inquiry into the project at Stoke Rochford Hall, near Grantham, that if the proposed mining was allowed to go ahead the environment would be damaged for ever and tipping on site would be tantamount to gambling with the Leicestershire countryside. The commission has suggested that the spoil should be dumped in clay workings at Marston Vale, Beds.

MORE SHIPS FOR FISHERY DUTIES

By Our Naval Correspondent

Two 1,450-ton ships for North Sea oil and fishery protection patrols have been ordered for the Navy from the Aberdeen shipyard of Hall Russell, Mr Speed, the Navy Minister, said yesterday in a Commons reply.

The ships are likely to cost about £9 million to £10 million each and it is hoped that the Royal Navy order will encourage export orders for similar ships.

Unlike the seven existing patrol ships also built at Aberdeen, they will have a deck for a helicopter and will have a maximum speed of 19-20 knots compared with 16 knots.

Mr Daly then assaulted him, he said. "He tried to grab me round the throat."

The stock losses finally came to light in December, 1978, after a stocktaking.

Appearing for the YHA, the national secretary, Mr HARRY LIVINGSTONE, said it was conceded that stock to the value of some £80,000 had disappeared. The two suspended men were still employed by the YHA, he said.

Referring to Mr Baldwin's "shoestring" investigation, Mr Livingstone said "We wish he had never gone in for this heavy police investigation. It has led to conflict with other members of the staff."

The hearing was adjourned until today.

PRINCE TO BE AT ENTHRONEMENT

The Prince of Wales is to attend the enthronement of the Archbishop of Canterbury at Canterbury Cathedral on March 25, Buckingham Palace announced yesterday. Princess Margaret will also be there.

The Archbishop designate, the Most Rev. Robert Runcie, went to Buckingham Palace yesterday to pay homage to the Queen. It is not normal practice for the Sovereign to attend the enthronement.

£504 TO PLACE JOB-SEEKER

By Our Political Staff

It cost an average of £504 to place each job-seeker who found work last year through the Manpower Services Commission's professional and executive register, Mr Lester, Parliamentary Under-Secretary for Employment, said yesterday.

He told Mr John Butcher (C., Coventry South West) that the cost did not fall on public funds as the register had made a trading profit after fees from employers using the service were taken into account.

Workmen dump a granny's memories

A COUNCIL mix-up left the memories of a lifetime under four feet of rubbish after Mrs Kezya Woodcock, 74, moved out of her flat for workmen to mend a water leak.

When she returned to her flat in Arundel Street, Portsmouth, everything had gone.

Council workers had dumped her clothes, furniture and personal belongings on the city rubbish tip. It seems repair men

scars.

"It upsets her a lot and she cries about her nose, asking what's going to happen. She looks in the mirror and says, 'I'm ugly,'" Mrs Green added.

COUNCIL CHIEF AXES OWN JOB

Stafford borough council's chief executive Mr Derek Almond is becoming redundant on his own recommendation. His duties will be reallocated under cost-cutting proposals which will save the council at least £25,000 a year.

Mr Almond, 54, will leave in June after 14 years as town clerk and chief executive. He said yesterday: "I am pleased, not only on my own account because I'm looking forward to early retirement, but also because it is a genuine saving for the authority."

POLICE RESCUE LORD MAYOR

Sir Peter Gadsden, Lord Mayor of London and his wife, were driven to a school prize-giving in a police car yesterday after their chauffeur-driven Rolls-Royce broke down 60 miles from their destination.

The car broke down on the Witney bypass in Oxfordshire on the way to the ceremony in Malvern, Worcs. Thames Valley police supplied a Ford Granada, with two policemen to act as chauffeurs.

BODY IDENTIFIED

A body recovered from the sea near the Seven Stones Lightship, off Lands End, yesterday, was identified as that of Stephen McClary, 27, of the lighthouse crew.

TOP RAF STATION

R A F Coltishall, Norfolk, has been judged the best front-line station out of 46 in the country in Strike Command, by a team of Nato experts.

Gold watch dumped

The building of a high line of... For radical... compar... Im... right. Pu... your fe... In... involve you do... It... that th... buildi... when... Bo... interest

Telegraph
6.3.80

FEW JOBS AXED AS COUNCILS CUT THEIR SPENDING

By JOHN GRIGSBY, Local Government Correspondent

MOST local councils are cutting their spending this year, but not reducing their manpower at nearly the same rate.

The implication seems to be that money will be saved through cuts in services to the public rather than in any reduction in bureaucracy.

This emerges from a survey into the spending and manpower plans of Britain's 456 local councils for the financial year beginning in April which was commissioned by Sir Frank Marshall, vice-chairman of the Conservative party responsible for local government.

Few, if any, forced redundancies seem likely.

The survey contains information about three-fifths of the country's councils. Sir Frank says most had responded manfully to the Government's appeal to cut spending next year by 2½ per cent. compared with last year.

But with wages and salaries making up about 70 per cent of the bills for town and county halls, it is clear that councils will have to continue to reduce staff if permanent savings are to be made.

Tories in local government, however, hope that the results will persuade the Government to make concessions over the controversial block grant proposals which they believe would rob town and county halls of much of their freedom. The proposals are contained in the Local Government Bill which Ministers stressed yesterday would become law this session.

Cuts avoided

The survey shows that among Tory councils not making cuts are Harrogate, Wokingham, Berks, and Wyre, Lancs. Labour-controlled Langbaugh in Cleveland is apparently planning an eight per cent increase in spending and Crawley, West Sussex, also Labour, an extra £67,000.

But Tory Sutton plans a 2.13 per cent cut to save £652,000 with 415 fewer people. Hamersmith, run by the Conservatives with Liberal support, is budgeting for a 5.2 per cent cut, while Richmond expects to cut by 8.5 per cent and save £2,150,000.

Conservative Cleveland County Council plans a two per cent cut, savings of £4,350,000 and 155 fewer jobs. Labour Tyne and Wear cuts of 3.3 per cent, with £2,810,000 savings but no loss of jobs and Tory Greater Manchester a 3.7 per cent cut, saving £4,640,000 with 650 fewer jobs.

Northamptonshire plans to cut by 7.8 per cent to save £9 million, Essex by 3.9 per cent, to save £13 million with 913 fewer jobs and Hertfordshire by 4.1 per cent to save £7,600,000, but with no job losses.

Suffolk is budgeting for a 6.2 per cent cut to save £5,800,000 with 90 fewer jobs. Gloucestershire 2.7 per cent, to save £3,800,000 and West Sussex three per cent, to save £3,600,000 with 180 fewer jobs. Kent plans a four per cent cut to save £12,100,000 with 500 fewer jobs.

2 p.c. reduction

Hampshire expects to have 880 fewer jobs next year. In the cities, Tory Birmingham is making a two per cent cut to save £4,800,000, Labour Newcastle-upon-Tyne one of two per cent, to save £1.5 million.

Conservative Oldham is cutting by 2.3 per cent, to save £1,250,000 with 200 fewer jobs. In Conservative-controlled South Glamorgan, Labour-controlled Cardiff City Council is reported to be reducing spending by 2.5 per cent, to save 319,000 with 30 fewer jobs.

BAN ON FRENCH SHELLFISH

Alderney's parliament yesterday approved draft legislation aimed at prohibiting the importation of disease-bearing French shellfish. The island's oyster farm was set up with oyster spat from France and, although tests have shown that the young oysters have not inherited any of the French diseases, the Ministry of Agriculture has banned their export to Britain.

Mr Jack Bates, chairman of the island's Agricultural and Fisheries Committee, said that unless the oyster growers were allowed to export to Britain their enterprise could not develop.

SANGUINE GESTURE

By Our Bombay Correspondent

Bombay followers of Sanjay Gandhi, son of India's Prime Minister, are to donate his weight in blood for hospitals next month.

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PRIME MINISTER

You might glance at
Mr Heseltine's report on

the local authority
associations alternative to
his block grant proposals.

You will hear more of
this tomorrow.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

5 March 1980

MAP 6/3

Ames

MGM

MB

See letter

will request if required. 6/3

In my letter of 28 February I said that I would be meeting the Chairmen of the local authority associations on Monday 3 March to discuss their alternative proposals to block grant. I am now writing to report the outcome of that meeting and the conclusions I have drawn from it.

Time is now pressing. The block grant clauses in the Local Government, Planning and Land Bill will be reached in Committee next Tuesday 11 March and we must be in a position by Monday night to tell the associations by letter what decisions we have reached. I consider that that decision must be to reject the associations' proposals. Having examined them carefully and discussed them with the associations I have concluded that what they are offering goes nowhere near meeting our objective - as set out in my letter to you and colleagues on 17 August last year - of modifying the grant distribution arrangements in such a way as to provide a disincentive to excess expenditure and to bring pressure to bear on individual authorities which are reluctant to bring their expenditure within reasonable limits.

As colleagues will have seen from the associations' paper attached to my earlier letter, there are essentially two components to their proposals:

- i. the development of a new method of needs assessment;
- ii. "close-ending" of the resources element of RSG. At present, an authority's entitlement to this part of the grant is open-ended, in that the more it spends, the more it gets. The associations propose that each authority's resources element entitlement should be subject to a ceiling.

On needs assessment, I think there is little between us. Their thinking on this is similar in many respects to my own. And they said at the meeting that they were prepared to contemplate separate needs assessments for all tiers and classes of authority - an important pre-requisite for block grant.

However, the needs assessment issue is not central to the debate on block grant. It became clear in the discussion - as I expected - that the associations have two fundamental objections to block grant. The first is that block grant, by establishing a link between expenditure and grant distribution, enables the Government to influence the expenditure decisions of individual authorities. They regard this as unacceptable and as usurping the right of elected local authorities to reach their own expenditure decisions. For this reason they appeared unwilling to consider a progressive taper on resources element for expenditure above assessed need. And for the same reason they were not prepared to offer any disciplines for high-resource London authorities which do not qualify for resources element. Their only "concession" here was to say that the Government could continue to exercise its traditional discretion, in the determination of London clawback and the special within-London grant distribution arrangements, to limit its grant contribution to the expenditure of individual London authorities. This is, however, a bogus concession; it is inviting the Government to withdraw grant from London on an arbitrary basis which could not be satisfactorily defined or defended.

Their second objection was to the publication of standard expenditure assessments and standard rate poundages of individual authorities. They saw this as undermining the expenditure and rating decisions of authorities and putting pressure not only on high-spending but also on low-spending authorities to conform to the Government's figures.

The crucial distinction between the associations' proposals and block grant lies in the influence exerted over expenditure. The associations' proposals would involve making once-and-for-all reductions in the grant entitlements of high-spending authorities before they make their budget decisions. These authorities then have to decide how to respond to a cut in grant in drawing up their budgets; and it must be likely that many of them will simply make a compensating rate increase (which they will blame on Government) and re-establish former expenditure levels. There is no direct and sustained link between expenditure and grant for high-spending authorities and hence no means of influencing expenditure. Block grant, on the other hand, by determining a "tariff" on the cost to authorities of any given level of expenditure they choose to maintain, establishes a link between grant and expenditure which provides a continuing incentive to keep expenditure within reasonable limits. The associations' proposals, however we juggle with the figures, fail this fundamental test and thus, in my view, do not fulfil the aim we originally set ourselves of providing a grant system that discriminated systematically against overspending.

Furthermore, I am pretty sure that the associations' proposals are based on a very fragile unity which would break apart once they had achieved their objective of getting the block grant clauses dropped from the Bill.

I do feel however that there is some justification for their second objection to block grant - that is, to the publication of standard expenditures and poundages. As we have always acknowledged, we can never get these figures completely accurate for the individual authority by the application of a formula - however refined it may be - and yet to publish them will tend to give them an air of spurious accuracy. I also have some sympathy with the associations' argument that publication of these figures would tend to put pressure on authorities to spend up to as well as down to standard expenditure. While this would be alright as a result of a conscious Government decision on the design of the poundage schedules in relation to grant distribution it would be most unwelcome if there were to be unintended upward pressure on low-spending authorities simply by virtue of publication of the standard expenditure and rate poundages. It would be possible, with minor modifications to the legislation, to leave any obligation to publish standard expenditure assessments and standard rate poundages for individual authorities as discretionary. The discretion would, of course, be ours. I will invite colleagues to reach a decision on this when I am in a position to set out the implications of the final scheme in detail.

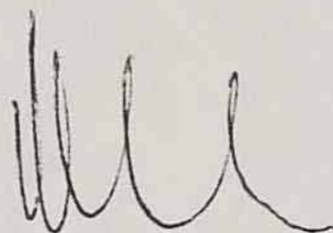
We know from the development work that there are some tricky technical issues on block grant. But I believe that if we are to have a grant distribution system which encourages economy and effective management of resources in local government then there must be a link between expenditure and grant for each authority. Block grant provides the means of achieving this; the associations' alternative does not.

I also believe that some part of the opposition of the associations to block grant resides in the uncertainty created by the pace at which we are moving in developing the block grant system, as we are breaking much new ground. I therefore propose to inform them that although we must proceed on the present legislative timetable, we are willing to introduce block grant in 1982/83 rather than 1981/82. This should curb any criticism that we are not giving the associations enough time to reach careful and considered judgement, in consultation with Government, of important technical issues which arise over the block grant mechanisms. This deferment of implementation of block grant will involve re-running the existing RSG system - probably once again on a 'standstill' basis - in 1981/82, and preserving the discretionary transitional arrangements in that year. I recognise and have indeed supported Nick Edwards in his wish that Wales should have its own separate RSG arrangements in

1981/82 but I think it would be impracticable to have separate commencement dates for the new system in the two countries.

Subject to the views of colleagues, I propose to convey these decisions to the local authority associations next Monday.

Copies go to the Prime Minister, the other members of H Committee and to Sir Robert Armstrong.

Yours ever


MICHAEL HESELTINE

The Rt Hon William Whitelaw MP

- 6 MAR 1980



CONFIDENTIAL



FILE

Local Govt ^{VLS} _F

10 DOWNING STREET

From the Private Secretary

B/F 17/3-80

4 March 1980

When the Chancellor called on the Prime Minister on Friday afternoon, they discussed briefly the question of the use of capital receipts by local authorities for their capital expenditure programmes. The Prime Minister had read the Chancellor's letter of 28 January on this subject, and the Minister of Transport's letter of 20 February, ^{On Part 2} and she was concerned to see that, under the present proposals, the G.L.C. would not be permitted to use the substantial capital receipts which they had accumulated to finance any increase in their capital spending. She felt that, if this policy were pursued, it would cause considerable difficulties for the Government in its relations with the G.L.C., and she hoped the Chancellor would reconsider.

The Chancellor said that he would look at this question again in consultation with the Minister of Transport and the Minister for Local Government, and he would then report back to the Prime Minister.

T. P. LANKESTER

[Handwritten signature]

M. A. Hall, Esq., M.V.O.,
H.M. Treasury.

CONFIDENTIAL

For 3-40 pm



With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

A handwritten signature in dark ink, appearing to be "NMF".

Treasury Chambers,
Parliament Street,
S.W.1.

memoire: Local authority capital expenditure

1. The scheme as set out in the Local Government Bill and the consultation document will work as follows from 1981-82:

- a national cash limit on net capital expenditure, however financed, will be determined each year on the basis of the PES provision;
- this will be split into individual allocations for each local authority, with a guideline distribution (which local authorities will be free to ignore if they wish);
- local authorities will be able to carry forward up to 10% of their allocations from year to year;
- local authorities will be free to spend capital receipts from any source, whenever accrued, on top of their allocations (save that only 50% of housing receipts may be so applied);
- central government departments will relinquish direct control over starts, borrowing approvals etc. for individual projects (although overall borrowing controls will remain), save for schemes of regional or national importance;
- local authorities which break these rules will be required by a direction from the Secretary of State to submit each substantial project for central approval.

2. Flexibilities in the scheme are:

- the flexibility between years (10% to begin with) may be varied by order;
- the proportion of capital receipts which may be spent on top of the allocations (100% to start with) may be varied by order;
- allocations may be varied during the year or determined as the government chooses (e.g. total allocations might be

expected usage of capital receipts).

3. Public expenditure effect of local authority capital transactions:

- purchases will score as public expenditure (leasing contracts being counted as their capital values) and will count against allocations if not financed out of capital receipts;
- sales will count as negative public expenditure. Their proceeds may be used to make purchases either in the year of sale or subsequently and these will not count against allocations. If they are made in the year of sale, the net effect of the sale and purchase on public expenditure is zero; if subsequently, the purchase will increase public expenditure in the year it occurs, matching the public expenditure credit in the year of the sale;
- for local authorities in aggregate accruals of capital receipts and public expenditure financed out of them are likely to average to a small net fluctuating effect on public expenditure. Individual local authorities' contributions to ILS will be much more variable;
- we have no reason to believe that the tendency for local authorities to underspend ILS plans for total capital spending will not continue.

4. Overspending against ILS might occur because:

- local authorities break the rules (in which case the Secretary of State can issue a direction);
- many local authorities might use the flexibilities in the rules, e.g. by applying their accumulated capital receipts all in the same year.

5. Overspending against ILS might be anticipated by monitoring plans and accumulations of capital receipts and prevented by:

- underallocating the cash limit and distributing this lower sum as originally intended (i.e. penalising all authorities);
- underallocating the cash limit and distributing this lower sum by reference to expected use of capital receipts (i.e. reducing the allowed spending of those local authorities planning to use their capital receipts);
- reducing the year to year 10% flexibility (i.e. increasing all authorities tendency to underspend);
- reducing other flexibilities (described in 2) in the scheme (with similar effects).

6. The problem with the GLC is that:

- they want to use accumulated capital receipts to finance a large Transport project (such as the proposed Jubilee line extension); but
- this would cause overspending on the Transport component of local authority capital expenditure in RLB.

7. Subject to the choice of project, method of financing and phasing of capital costs, we would expect the government response to this situation to be:

- to consider using the power to veto the scheme (possible, at least in the case of the Jubilee line, because it would rank as of regional and/or national importance);
- to see whether the RLB consequences of the project could be accommodated within the cash limit with ^{out} the special action described in (5);
- if not, to consider corrective action to contain spending within the local authority capital cash limit using the weapons described in (5);

A further option would of course be to increase PLS plans and the cash limit so as to accommodate the expected use of capital receipts. But as your letter of 28 January pointed there is no reason to expect that economic and monetary objectives would allow this.

8. However, there are other difficulties with the GLC's transport plans:

- the proposed Jubilee line extension (costing £300m at 1978 prices) would not satisfy the usual criterion of 7% required rate of return on public investment, and would indeed require a continuing operating subsidy;
- the other lower cost options under consideration seem likely to fail this test too (although the details of these schemes are still under consideration);
- the problems are compounded by Sir Horace Cutler's desire to commit funds for one or other of these projects ahead of this year's GLC election.

file

RdA

PRIME MINISTER

MEETING WITH THE CHANCELLOR,
FRIDAY, 29 FEBRUARY, 1500 HRS

The Chancellor wants to outline his budget proposals. It will be two or three weeks before final decisions have to be taken, but he needs a steer from you on the broad strategy. I understand he will be giving you a note on this later tonight - if not, first thing in the morning.

You might also discuss with him the correspondence in this folder about the Local Authority spending out of asset disposals. You said you wanted to raise this with the Chancellor.

28 February 1980 *TL*



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

28 January, 1980

J. White

*R
28/1*

CONTROL OF LOCAL AUTHORITY CAPITAL EXPENDITURE:

USE OF CAPITAL RECEIPTS

When MISC 28 discussed the proposed new controls on local authority capital expenditure, it was suggested that expenditure of capital receipts had no effect on the PSBR; and that, since the Government were no longer pursuing Keynesian policies of demand management, it might be right to leave out of account the expenditure of capital receipts when fixing public expenditure allocations. I agreed to consider the use of capital receipts by local authorities in relation to the control of public expenditure and to public sector financing.

Our major concern in economic management is firm control of the money supply. The PSBR, which is the balance between the expenditure and the income of the public sector, has a major influence on the money supply. Local authority capital receipts are part of this income in the year they are received. Therefore, regardless of Keynesian demand management, the level and timing of receipts is important for economic policy.

For this reason, capital receipts are taken into account in planning and controlling public expenditure. This is measured net of the proceeds of sales of land and buildings etc. (reflecting the corresponding definition in the national accounts). If these proceeds are spent in the same year, the net effect on public expenditure and the PSBR in that year is therefore nil.

The new capital expenditure controls are intended to contain the aggregate of net capital spending by local

/authorities

The Rt. Hon. William Whitelaw, M.P.



authorities within the annual national cash limit. It is therefore envisaged that (except in the special case of housing discussed below) expenditure allocations to local authorities should be made on the basis of the net public expenditure provision for the year expressed in cash terms, which takes account of expected sales of capital assets.

Local authorities will be able to supplement these allocations from capital receipts, subject to two qualifications:

(i) Schemes of national or regional importance will require specific Ministerial sanction.

(ii) In the case of housing, half of the expected capital receipts will be distributed to local authorities as a whole on the basis of need. Thus, annual expenditure allocations for housing will be based on an amount halfway between the net and gross PES provision. Individual authorities will be allowed to augment these allocations by half of their capital receipts.

This treatment of capital receipts is the same as now, except in two respects:

(i) At present, capital expenditure on housing is controlled on a gross basis, so that effectively all expected capital receipts are distributed in the allocations.

(ii) GLC capital expenditure, however financed, is at present controlled through the annual Money Bill procedure. This will no longer be the case when the new system comes into effect.

However, this degree of local authority freedom to use capital receipts without restriction creates a potential problem for the annual control of public expenditure and the PSBR, which is necessary for reasons of economic management. If local authorities save up capital receipts and spend them on capital projects in later years, this could lead to overspending on the relevant cash limit and extra pressure on the PSBR in those later years. There is no reason to expect that economic and monetary objectives will allow any increase in the overall plans for local authority capital spending to make room for the use of capital receipts which have been saved up in this way.

/It is therefore



It is therefore important that the amount of capital receipts should be monitored centrally and any potentially dangerous overhang of unspent receipts identified. If there is evidence from local authority expenditure plans or returns that this is likely to lead to overspending, it will be necessary to consider under-allocation to local authorities of the net provision for the year to allow for this. If in practice it turned out to be impossible to contain net annual spending within the cash limit by this means, it would be open to us under the legislation to modify the freedom which we at present envisage for local authorities to use capital receipts to supplement allocations without restriction as to amount or timing.

I am sending copies of this letter to the Prime Minister; to the other members of MISC 28; to Mark Carlisle, Patrick Jenkin and Norman Fowler; and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)

PART 2 ends:-

PM to Horace Cutler 28.2.80

PART 3 begins:-

Chantx to Home Inc 28.2.80

