PART 5

SECRET

Confidential Filing

Relations between Central + Local Govt
Local Authority Expenditure
Accounts Commission for LA Audit

LOCAL GOVERNMENT

Part 1: May 1979

Part 5: June 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~6.6.81~~		~~26.8.81~~					
10.6.81		~~4.9.81~~					
~~16.6.81~~		~~16.9.81~~					
~~18.6.81~~		8.9.81					
~~24.6.81~~		— ends —					
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~~8.7.81~~							
~~10.7.81~~							
~~14.7.81~~							
~~31.7.81~~							
5.8.81							
6.81							
~~10.8.81~~							
~~12.8.81~~							
~~14.8.81~~							
~~2-9-81~~							

PART 5 ends:-

S/S Environment to PM 8.9.81

PART 6 begins:-

E(81) 85 11.9.81

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
MISC 56 (81) 13	8.6.81
C (81) 28	9.6.81
CC (81) 22nd Conclusions, Minute 5	11.6.81
E (81) 70	22.6.81
E (81) 71	22.6.81
E (81) 22nd Meeting, Minutes	25.6.81
C (81) 38	20.7.81
C (81) 40	20.7.81
E (81) 82	24.7.81
LCA to E (81) 26th Meeting, Minutes	31.7.81

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 CAWayland Date 30 June 2011

PREM Records Team

CONFIDENTIAL

Prime Minister
This, and Mr Heseltine's detailed proposals, come to E next Wednesday: ~~his~~ he is canvassing bringing the legislation forward in time for 1982/83.

cc. A. Duguid
A. Walters.

PRIME MINISTER

8 September 1981

RATES

We face a very difficult decision about the timing of the interim measures which also relate to Norman Fowler's proposals for controlling the revenue finance of PTE's.

The latest budgetted overspend in local authority current expenditure for the current year is about £800 m (5½%) at Nov 80 prices or £1300 m in cash terms (8.0%).

Next year we are presently committed to reducing the expenditure target by a further 1% which when added to the 5½% overspend produces a 6½% required reduction. This assumes that we decide to validate the excess inflation in 1981-82 (ie increases in wages and prices above the level assumed in setting last year's cash factors). If we do not validate this excess, the required reduction becomes about 9%.

In reality we cannot expect to achieve more than a part of this. We can use the grant mechanism for this purpose but there are many authorities which will simply pass the effects of this on to the ratepayers and will refuse to make reductions in expenditure levels.

Our interim measures are designed to influence this attitude but in the normal process of legislation these will not actually bite until the 1983/4 financial year. Similarly Norman Fowler's proposals will block off the use of rate funds from excess subsidy in transport terms but will not affect the ability of authorities to use the released cash for other purposes (the GLC could use it for housing for example).

Either we accept ~~the~~ 1982/83 as a year in which we have to rely on existing powers or we decide to press ahead quickly with our legislation with the intention of making ~~in~~ it effective in 1982/3. There are great difficulties in doing this particularly in the Lords but I attach a timetable so that colleagues may be aware of what is involved. You will see that all the proceedings on the Bill in both Lords and Commons will have to take place between 4 November and 5 February, just over 2 months, allowing for the Christmas Recess.

If we decide to press ahead quickly, we will need to take decisions on 16 September.

I am copying this to members of E Committee, the Leader of the House of Commons, the Secretary of State for Transport, the Chief Whips (Commons and Lords) and to Sir Robert Armstrong and to First Parliamentary Counsel.

MH

MH

CONFIDENTIAL

INTERIM MEASURES: TIMETABLE FOR INTRODUCTION IN 1982/3

16 September:	Policy approval given by E
2 November:	Draft Bill to Legislation Committee
4 November:	New Session of Parliament; Bill introduced at earliest opportunity
18 November:	2nd Reading of Bill
Say, mid-December:	RSG settlement for 1982/3 announced, includes details of interim measures (ie threshold limits) subject to approval of legislation
18 December - 11 January: (provisional)	Christmas Recess
5 February:	Royal Assent
8 February:	Statutory instruments laid(affirmative resolution?)
18 February:	SI receives approval by affirmative resol-ution

cc Mr Duiguid
Mr Walters

Local Govt

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

CST.

PM/MS

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3HE

P.A.

R.

4 September 1981

7/9

Dear Leon,

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82

I was very much taken aback to learn yesterday when I was accompanying the Prime Minister during her visit to Scotland that it had been agreed that Michael Heseltine should announce on Thursday afternoon the reduction by one third in the amount of grant to be withheld from local authorities in England in 1981-82. I do not dissent from the strong case that exists for making that reduction; but in the light of my letter to you of 28 August I am surprised that no attempt was made to involve me or Malcolm Rifkind in the discussion of the proposals.

I am sure you will appreciate that I am now placed under extreme pressure by Scottish local authorities to announce a similar amendment to the statement which I made on 4 June. If the original budget excess for English local authorities remains unchanged and Michael has been able to announce a reduction by one third in the amount of grant to be withheld, Scottish local authorities will not be slow to point out that, as a result of the selective measures I am taking under the Local Government (Miscellaneous Provisions) (Scotland) Act 1981, it would be quite inequitable for there not to be a similar reduction in the amount of grants to be withheld from Scottish local authorities. I told you in my letter of 28 August that I estimate to achieve savings totalling £37 million - and indeed the reductions I am already making in the RSG payments to authorities whose proposed expenditure is excessive and unreasonable produce an immediate benefit to the Government's cash disbursements.

The timing of the announcement for England (about which I learned only incidentally) has placed me immediately in an embarrassing position since I cannot say publicly whether I will be making a similar announcement. I leave for the United States for a week's visit tomorrow and I hope that on my return I can, with your agreement, inform the Convention of Scottish Local Authorities that the £100 million of grant which I announced would be withheld can now be reduced to £66 million, in turn to be abated by the results of the current budget exercise.

I am sending copies of this letter to the Prime Minister, to other Members of the Cabinet and to Sir Robert Armstrong.

Yours ever,

George.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

TL/or.

4 September 1981

Dear Godfrey

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82

/ I attach, as promised in my letter of 3 September, a copy of the circular letter to all local authorities in England which was issued following my Secretary of State's statement yesterday on holdback of rate support grant. Exemplifications of the effect of the arrangements on authorities are annexed at tables A and B, which is covered by an explanatory note.

I am copying this letter and enclosures as before.

Yours ever

Jeff Channing.

J P CHANNING
Private Secretary

Godfrey Robson Esq

TL

LOCAL AUTHORITY CURRENT EXPENDITURE : 1981/82

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

3 SEPTEMBER 1981

1. The original budgets submitted in April by local authorities indicated a 'raw' planned excess on current expenditure of about £800m (5.3%) over the RSG settlement level. I was not prepared to accept such a figure and I therefore called for revised budgets. The majority of local authorities (257) have made significant efforts to reduce their expenditure plans from their original budgets in line with the Government's request in June. But a small number of authorities have ignored the Government's request for economy and have actually increased their expenditure plans by a substantial amount so that overall the total of planned current expenditure remains above the Government's target by about 5½%, or in cash terms some 8%.

2. This is a disappointing overall result, and the Government will be obliged to propose reducing the total of block grant by means of a Supplementary Report to be presented to Parliament in the autumn. Authorities which meet the Government's target for the reduction in the volume of their expenditure or which spend below the typical level represented by the "Grant-Related Expenditure" (GRE) will however be exempted from the effects of this reduction. I am also proposing exemptions in respect of expenditure on the urban programme and in respect of certain additional expenditure arising from the urban riots earlier this year. When these exemptions are made the holdback would be in the region of £290-£300 million assuming authorities present expenditure plans and unchanged GREs.

3. I am grateful to all those authorities who have made great efforts to secure reductions in their expenditure plans in line with the Government's overall targets. These results are a vindication of the tradition of voluntary co-operation between central and local government to ensure that local government expenditure as a whole remains within what the national economy can afford.

4. The action of a few authorities which have made enormous increases in their expenditure could however imperil this relationship. I told local government in June that further legislation might be needed next session to bring home to authorities and their electorates the consequences of high-spending policies if the response to the call for revised budgets was unsatisfactory. The increased

expenditure now proposed by certain authorities, which flies in the face of the economic realities and the urgent need to reduce the pressure of rates on commerce and industry, makes it in my view certain that such legislative measures will be needed in the next session of Parliament.

Department of the Environment
2 Marsham Street London SW1

Telephone 01-212 3434

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

Ref: FLA 91060/7/38

3 September 1981

Dear Sir

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISION OF BUDGETS

1. On 2 June the Secretary of State announced to the Consultative Council on Local Government Finance and the House of Commons that the Government had decided to ask all local authorities to review their current expenditure plans for 1981-82 and to submit revised budgets by the end of July. He said that if the call for revised budgets did not produce a satisfactory response, he proposed to ask Parliament to approve a reduction in the aggregate amount of rate support grants for 1981-82. Authorities that met their individual targets would be exempt from the effects of this reduction.

2. These revised budgets have now been analysed by the Department, and the Secretary of State has considered the representations that have been made to him about the proposed grant holdback. Of the 413 local authorities in England, 257 have found savings amounting to some £200m at November 1980 prices. A few authorities have, however, substantially increased their budgets, with the result that there has been no significant change in the planned volume of current expenditure, which is about 5½% above the Government's target, and in cash some 8% above. The Secretary of State does not consider that this is a satisfactory response, and he is proposing to submit a Supplementary Rate Support Grant Report to Parliament which will, among other changes, reduce the amount of grant available for distribution.

3. The Secretary of State has considered the representations that have been made to him, and in the light of these proposes certain modifications to the proposals outlined on 2 June.

4. This year, for the first time, the Grant Related Expenditure (GRE) assessment gives an indication of relative spending needs, and the Secretary of State therefore proposes to exempt all authorities spending at or below GRE from the effects of the general reduction of grant. As GREs will be amended at Supplementary Report stage, authorities whose total expenditure at outturn is less than either their original or their amended GRE (whichever is the higher) would be given the benefit of this exemption.

5. The Secretary of State has also decided that it would be reasonable for an authority to apply for the exclusion of either or both of the following categories of expenditure from the calculation of its net current expenditure targets (ie from its expenditure in 1978-79 from which the targets were derived) and from its performance against target (ie from its expenditure in 1981-82):

(a) for authorities designated by the Secretary of State as Partnership or Programme Authorities including the Docklands Partnerships for which special arrangements are in force for 1981-82, current expenditure on projects receiving grant under section 1 of the Local Government (Social Needs) Act 1969;

(b) current expenditure on riots and emergencies accepted for special assistance under the arrangements announced on 10 August and other expenditure under section 138 of the Local Government Act 1972.

It is estimated that on the expenditure plans shown in authorities' revised budgets the total amount of the grant reduction to be proposed in the Supplementary Report will be of the order of £290 million to £300 million rather than the £450 million related to the original budgets which was exemplified in June. More details of the adjustments to be made to the poundage schedule are contained in Annex A.

6. Authorities that wish to apply for their performance to be reassessed in the light of these proposals should use the claim form enclosed (ER82B).

7. For some authorities, the effect of excluding either of the items of expenditure referred to above from both the base year and 1981-82 would be to worsen their apparent performance. In such circumstances authorities need not apply for a reassessment in relation to that item. If an authority wishes to apply for the exclusion of only one category of expenditure only the relevant lines on the form need be completed.

8. If authorities wish to revise their budgets further in the light of these proposed exemptions, they should submit full details of the consequent changes to the information returned on form ER82A. The figures on form ER82B must of course be consistent with the budget on which they wish their grant claim to be based.

9. If authorities wish to apply for their performance to be reassessed or to revise their budgets, they must return the relevant information to the Department by 30 September 1981 so that it may be taken into account in the calculation of grant entitlements payable during the current grant year. As already indicated in the Department's letter of 25 June it is proposed that entitlement to protective multipliers should be reassessed in the light of outturn expenditure for the purpose of the Second Supplementary Report.

10. Until these returns are received it will not be possible to exemplify the full effect of these proposals on the grant

ANNEX A

DETAILS OF THE METHOD OF GRANT REDUCTION

The Department's letter of 25 June 1981 gave details of how grant reduction and protective multipliers would be calculated for individual authorities. The methods proposed in that letter would still form the basis of the method of adjustment though there would of course be a larger class of authorities qualifying for protective multipliers corresponding to the further exemptions now proposed.

Close-ending

The letter of 25 June indicated that on the original budgets the necessary close-ending adjustment would have made the poundage cost of expenditure equal to the grant-related expenditure 4.92p higher than that specified in the Rate Support Grant Report. In the light of the revised budgets this close-ending adjustment would be reduced to 3.72p. It should be noted however that this figure is not final and will be subject to further revision prior to the Supplementary Report in the light of any changes in the variable items in the rate support grant and adjustments to any of the components of the GREs which fall to be made in the Supplementary Report.

Reduction of Grant

As indicated in the letter of 25 June it is proposed that the poundage schedule should then be further adjusted so that the grant-related poundage for spending at a level equal to GRE will be 9.03p higher than the level necessary to close-end claims to the grant total. This 9.03p would be divided between the classes of authorities in the way indicated in Annex A to the letter of 25 June. The revised version of the poundage schedule table as it would stand on the new figures in this note is attached.

Exemptions and Partial Exemptions

As indicated in the letter of 25 June it is proposed that exemptions and partial exemptions for authorities should be given by giving authorities multipliers calculated so as to have the effect of reducing the grant related poundage for their level of expenditure to what it would have been on the close-ended poundage schedule before the general grant reduction. It is proposed that these multipliers should be recalculated at the second supplementary report in the light of authorities' outturn expenditure.

entitlements of individual authorities. The attached forms will enable authorities to provide the information which can be used to calculate revised targets and grant entitlements. Meanwhile however the enclosed exemplifications illustrate the effect of the GRE exemption alone. The local authority associations will be consulted further about these proposals before a Supplementary Report is laid before Parliament later in the year.

11. I enclose a further copy of this letter and attachments for the attention of your Chief Financial Officer.

12. Enquiries about this letter and the proposals it contains should be addressed to:

(i)	general issues and expenditure exempted:	Mr L B Hicks (01-212-4717) Miss B A Plastow (01-212-4399)
(ii)	grant adjustments (Annex A) and the GRE exemption:	Mr J Saxby (01-212-3877)
(iii)	the exemptions claim form:	Mr C Warren (01-212-4475)

Yours faithfully

B. D. Ponsford

B D PONSFORD

Under Secretary
Local Government Finance Policy

TABLE OF REVISED POUNDAGE SCHEDULES

Class	Threshold Exp per head above GRE per head £	Grant Related Poundage for Expenditure equal to GRE		
		Settle-ment Annex H (p)	Estimated close-ending GRP (p)	Estimated "Grant Reduction" GRP (p)
England	36.60	134.42	138.14	147.17
Non Metropolitan Districts	4.77	17.50	17.99	19.16
Non Metropolitan Counties	31.83	116.92	120.15	128.00
Metropolitan Districts	29.87	109.70	112.73	120.10
Metropolitan Counties	6.73	24.72	25.41	27.07
City of London	16.34	60.01	61.66	65.70
Inner London Boroughs	13.23	48.60	49.94	53.21
Outer London Boroughs	28.79	105.74	108.67	115.77
ILEA	15.56	57.14	58.72	62.56
GLC	4.70	17.27	17.74	18.90
Metropolitan Police	3.11	11.41	11.72	12.49
Isles of Scilly	36.60	134.42	138.14	147.17

LOCAL GOVERNMENT EXPENDITURE 1981/82

EXEMPLIFICATIONS OF THE EFFECTS FOR INDIVIDUAL AUTHORITIES OF THE REVISED GRANT REDUCTION PROPOSALS MADE BY THE SECRETARY OF STATE FOR THE ENVIRONMENT ON 2 SEPTEMBER 1981

The tables attached illustrate the implications authority by authority of a reduction of grant approximately £310 million of Exchequer grant in respect of local authority expenditure in England in 1981/82 following the submission of revised budgets by all local authorities. The tables incorporate the effect of the exemption from holdback for authorities spending at or below GRE but do not quantify the exemptions for other categories of expenditure mentioned in the statement since further information is needed from local authorities before these effects can be calculated.

TABLE A Performance Against Current Expenditure Volume Targets

Col 1 shows the current expenditure volume targets notified to each authority in November 1980 prices. The targets are 5.6% below actual expenditure in 1978/79 real terms.

Col 2 shows the actual volume of expenditure to which authorities have revised their budgets, in the same prices as notified by authorities to the Department of the Environment.

Col 3 shows the percentage differences between Cols 1 and 2.

Col 4 indicates whether, on the basis of their present performance against the volume target, authorities would qualify for full, partial or no protection from holdback on the present proposals.

Col 5 shows whether the total expenditure notified in the revised budgets is above or below GRE.

TABLE B

Col 1 shows local authorities' 1981/82 revised cash budgets for total expenditure. The figures are in estimated 1981/82 outturn prices.

Col 2 shows the latest estimate on the basis of the expenditure figures in col 1 of authorities' grant entitlements. These figures have been calculated on the assumption that the total of grant claims is matched to the original total of grant.

Col 3 shows the potential amount of grant holdback each authority will face at their revised planned levels of expenditure taking account of any protection they may so far be entitled to.

Col 4 expresses Col 3 as a rate poundage equivalent.

Col 5 shows the percentage by which the total expenditure notified in the revised budgets is above or below GRE. Authorities at or below GRE are exempted from the reduction.

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
AVON	£238.082m	£251.284m	5.5%	No protection	Above
Bath	£2.795m	£2.677m	-4.2%	Full protection	Below
Bristol	£20.675m	£24.311m	17.6%	No protection	Above
Kingswood	£1.933m	£2.228m	15.3%	No protection	Below
Northavon	£2.453m	£2.761m	12.6%	No protection	Below
Wansdyke	£2.254m	£2.254m	-	Full protection	Below
Woodspring	£5.674m	£5.737m	1.1%	Partial protection	Above
BEDFORDSHIRE	£143.136m	£147.914m	3.3%	Partial protection	Above
North Bedfordshire	£4.502m	£4.277m	-5.0%	Full protection	Above
Luton	£4.849m	£4.806m	-.9%	Full protection	Above
Mid Bedfordshire	£2.062m	£2.018m	-2.1%	Full protection	Above
South Bedfordshire	£3.642m	£3.570m	-2.0%	Full protection	Below
BERKSHIRE	£168.376m	£180.908m	7.4%	No protection	Above
Bracknell	£2.471m	£2.509m	1.5%	Partial protection	Above
Newbury	£3.011m	£3.107m	3.2%	Partial protection	Below
Reading	£6.937m	£7.988m	15.2%	No protection	Above
Slough	£4.410m	£4.010m	-9.1%	Full protection	Below
Windsor and Maidenhead	£3.724m	£3.710m	-.4%	Full protection	Below
Wokingham	£2.994m	£2.986m	-.3%	Full protection	Below
BUCKINGHAMSHIRE	£136.268m	£148.455m	8.9%	No protection	Above
Aylesbury Vale	£3.239m	£3.235m	-.1%	Full protection	Above
South Buckinghamshire	£1.862m	£1.644m	-11.7%	Full protection	Below
Chiltern	£2.575m	£2.534m	-1.6%	Full protection	Above
Milton Keynes	£3.486m	£3.451m	-1.0%	Full protection	Above
Wycombe	£3.762m	£3.754m	-.2%	Full protection	Below
CAMBRIDGESHIRE	£140.907m	£153.812m	9.2%	No protection	Above
Cambridge	£2.920m	£2.864m	-1.9%	Full protection	Below
East Cambridgeshire	£1.289m	£1.275m	-1.1%	Full protection	Above
Fenland	£1.896m	£1.843m	-2.8%	Full protection	Below
Huntingdon	£2.575m	£2.561m	-.5%	Full protection	Below
Peterborough	£5.013m	£5.495m	9.6%	No protection	Above
South Cambridgeshire	£2.049m	£1.962m	-4.2%	Full protection	Below
CHESHIRE	£260.527m	£276.889m	6.3%	No protection	Above
Chester	£3.777m	£4.231m	12.0%	No protection	Above
Congleton	£2.775m	£2.770m	-.2%	Full protection	Above
Crewe and Nantwich	£4.174m	£4.038m	-3.3%	Full protection	Above
Ellesmere Port and Neston	£3.232m	£3.562m	10.2%	No protection	Above
Halton	£4.731m	£4.892m	3.4%	Partial protection	Above
Macclesfield	£5.333m	£5.249m	-1.6%	Full protection	Above
Vale Royal	£4.170m	£4.030m	-3.4%	Full protection	Above
Warrington	£6.604m	£6.385m	-3.3%	Full protection	Above

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
CLEVELAND	£176.906m	£192.008m	8.5%	No protection	Above
Hartlepool	£3.781m	£3.928m	3.9%	Partial protection	Above
Langbaurgh	£7.296m	£8.200m	12.4%	No protection	Above
Middlesbrough	£8.167m	£8.443m	3.4%	Partial protection	Above
Stockton-on-Tees	£6.877m	£7.795m	13.3%	No protection	Above
CORNWALL	£103.643m	£107.583m	3.8%	Partial protection	Below
Caradon	£1.767m	£1.767m	-	Full protection	Above
Carrick	£2.349m	£2.345m	-.2%	Full protection	Above
Kerrier	£2.448m	£2.312m	-5.6%	Full protection	Below
North Cornwall	£1.657m	£2.010m	21.3%	No protection	Above
Penwith	£2.224m	£2.201m	-1.0%	Full protection	Above
Restormel	£2.611m	£2.546m	-2.5%	Full protection	Below
CUMBRIA	£135.684m	£142.518m	5.0%	No protection	Above
Allerdale	£3.662m	£2.930m	-20.0%	Full protection	Above
Barrow in Furness	£3.075m	£3.048m	-.9%	Full protection	Above
Carlisle	£3.952m	£4.513m	14.2%	No protection	Above
Copeland	£3.079m	£3.069m	-.3%	Full protection	Above
Eden	£1.142m	£1.157m	1.3%	Partial protection	Below
South Lakeland	£3.447m	£3.443m	-.1%	Full protection	Above
DERBYSHIRE	£237.435m	£246.235m	3.7%	Partial protection	Above
Amber Valley	£3.321m	£3.306m	-.5%	Full protection	Below
Bolsover	£1.913m	£1.969m	2.9%	Partial protection	Above
Chesterfield	£3.487m	£3.088m	-11.4%	Full protection	Above
Derby	£8.940m	£8.770m	-1.9%	Full protection	Above
Erewash	£3.631m	£3.486m	-4.0%	Full protection	Above
High Peak	£3.226m	£3.139m	-2.7%	Full protection	Above
North East Derbyshire	£3.376m	£3.394m	.5%	Partial protection	Above
South Derbyshire	£1.569m	£1.569m	-	Full protection	Below
West Derbyshire	£2.100m	£2.112m	.6%	Partial protection	Below
DEVON	£230.652m	£235.172m	2.0%	Partial protection	Below
East Devon	£3.502m	£3.054m	-12.8%	Full protection	Below
Exeter	£2.806m	£2.761m	-1.6%	Full protection	Below
North Devon	£2.753m	£2.861m	3.9%	Partial protection	Above
Plymouth	£5.953m	£5.951m	-	Full protection	Below
South Hams	£2.308m	£2.293m	-.6%	Full protection	Below
Teignbridge	£3.092m	£3.090m	-.1%	Full protection	Below
Mid Devon	£1.583m	£1.578m	-.3%	Full protection	Below
Torbay	£3.755m	£4.514m	20.2%	No protection	Above
Torridge	£1.415m	£1.432m	1.2%	Partial protection	Above
West Devon	£.909m	£1.063m	16.9%	No protection	Below
DORSET	£139.819m	£139.800m	-	Full protection	Above
Bournemouth	£6.548m	£6.189m	-5.5%	Full protection	Above
Christchurch	£1.296m	£1.283m	-1.0%	Full protection	Above
North Dorset	£.950m	£.950m	-	Full protection	Below
Poole	£4.045m	£3.548m	-12.3%	Full protection	Above
Purbeck	£.945m	£.939m	-.6%	Full protection	Below
West Dorset	£2.057m	£1.929m	-6.2%	Full protection	Below
Weymouth and Portland	£1.996m	£1.900m	-4.8%	Full protection	Above
Wimbourne	£1.644m	£1.643m	-.1%	Full protection	Below

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
DURHAM	£170.873m	£180.984m	5.9%	No protection	Above
Chester-le-Street	£1.696m	£1.759m	3.7%	Partial protection	Above
Darlington	£4.215m	£4.206m	-.2%	Full protection	Above
Derwentside	£3.352m	£4.031m	20.3%	No protection	Above
Durham	£3.291m	£3.329m	1.2%	Partial protection	Above
Easington	£3.750m	£3.817m	1.8%	Partial protection	Above
Sedgefield	£4.494m	£4.651m	3.5%	Partial protection	Above
Teesdale	£.672m	£.684m	1.8%	Partial protection	Above
Wear Valley	£3.709m	£3.536m	-4.7%	Full protection	Above
EAST SUSSEX	£160.993m	£162.425m	.9%	Partial protection	Above
Brighton	£10.768m	£10.248m	-4.8%	Full protection	Above
Eastbourne	£4.453m	£4.538m	1.9%	Partial protection	Above
Hastings	£3.691m	£3.526m	-4.5%	Full protection	Above
Hove	£3.432m	£3.428m	-.1%	Full protection	Below
Lewes	£2.941m	£2.870m	-2.4%	Full protection	Above
Rother	£2.931m	£2.925m	-.2%	Full protection	Above
Wealden	£3.397m	£3.188m	-6.2%	Full protection	Above
ESSEX	£347.743m	£360.871m	3.8%	Partial protection	Below
Basildon	£6.898m	£7.801m	13.1%	No protection	Above
Braintree	£2.911m	£3.021m	3.8%	Partial protection	Below
Brentwood	£1.759m	£1.690m	-3.9%	Full protection	Below
Castle Point	£3.027m	£2.970m	-1.9%	Full protection	Above
Chelmsford	£3.108m	£3.105m	-.1%	Full protection	Above
Colchester	£3.492m	£3.469m	-.7%	Full protection	Above
Epping Forest	£3.852m	£3.825m	-.7%	Full protection	Above
Harlow	£4.216m	£5.023m	19.1%	No protection	Above
Maldon	£1.221m	£1.215m	-.5%	Full protection	Below
Rochford	£2.182m	£2.182m	-	Full protection	Below
Southend-on-Sea	£7.188m	£7.169m	-.3%	Full protection	Above
Tendring	£4.411m	£4.260m	-3.4%	Full protection	Above
Thurrock	£5.320m	£5.189m	-2.5%	Full protection	Above
Uttlesford	£1.680m	£1.680m	-	Full protection	Below
GLOUCESTERSHIRE	£129.503m	£131.967m	1.9%	Partial protection	Above
Cheltenham	£3.199m	£2.891m	-9.6%	Full protection	Above
Cotswold	£1.816m	£1.809m	-.4%	Full protection	Below
Forest of Dean	£1.770m	£1.768m	-.1%	Full protection	Below
Gloucester	£2.510m	£2.499m	-.4%	Full protection	Below
Stroud	£2.873m	£2.755m	-4.1%	Full protection	Above
Tewkesbury	£2.031m	£2.027m	-.2%	Full protection	Below
HAMPSHIRE	£366.394m	£371.216m	1.3%	Partial protection	Above
Basingstoke and Deane	£4.415m	£3.827m	-13.3%	Full protection	Above
East Hampshire	£2.658m	£2.696m	1.4%	Partial protection	Below
Eastleigh	£2.247m	£2.070m	-7.9%	Full protection	Above
Fareham	£2.368m	£2.368m	-	Full protection	Above
Gosport	£2.201m	£2.185m	-.7%	Full protection	Below
Hart	£1.930m	£2.285m	18.4%	No protection	Above
Havant	£3.344m	£3.114m	-6.9%	Full protection	Below
New Forest	£3.950m	£3.920m	-.8%	Full protection	Below
Portsmouth	£9.104m	£9.095m	-.1%	Full protection	Above
Rushmoor	£2.370m	£2.362m	-.3%	Full protection	Above
Southampton	£9.530m	£9.285m	-2.6%	Full protection	Above
Test Valley	£2.516m	£2.516m	-	Full protection	Below
Winchester	£2.412m	£2.387m	-1.0%	Full protection	Above

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
HEREFORD AND WORCESTER	£154.393m	£160.374m	3.9%	Partial protection	Below
Bromsgrove	£2.177m	£2.177m	-	Full protection	Below
Hereford	£1.628m	£1.627m	-.1%	Full protection	Above
Leominster	£.841m	£.941m	11.9%	No protection	Below
Malvern Hills	£2.299m	£2.289m	-.4%	Full protection	Below
Redditch	£2.569m	£2.613m	1.7%	Partial protection	Above
South Herefordshire	£1.155m	£1.153m	-.2%	Full protection	Below
Worcester	£2.542m	£2.922m	14.9%	No protection	Above
Wychavon	£3.757m	£3.588m	-4.5%	Full protection	Above
Wyre Forest	£3.988m	£5.005m	25.5%	No protection	Above
HERTFORDSHIRE	£255.590m	£255.580m	-	Full protection	Above
Broxbourne	£2.975m	£3.374m	13.4%	No protection	Below
Dacorum	£4.979m	£4.487m	-9.9%	Full protection	Above
East Hertfordshire	£3.338m	£3.335m	-.1%	Full protection	Above
Hertsmere	£4.334m	£4.241m	-2.1%	Full protection	Above
North Hertfordshire	£3.717m	£3.687m	-.8%	Full protection	Above
St Albans	£3.849m	£3.835m	-.4%	Full protection	Above
Stevenage	£4.223m	£4.218m	-.1%	Full protection	Above
Three Rivers	£3.629m	£3.626m	-.1%	Full protection	Above
Watford	£4.149m	£4.249m	2.4%	Partial protection	Above
Welwyn Hatfield	£4.130m	£3.966m	-4.0%	Full protection	Above
HUMBERSIDE	£236.545m	£256.004m	8.2%	No protection	Above
Beverley	£2.345m	£2.663m	13.6%	No protection	Below
Boothferry	£1.853m	£2.273m	22.9%	No protection	Above
Cleethorpes	£3.065m	£3.142m	2.5%	Partial protection	Above
Glanford	£1.935m	£2.197m	13.5%	No protection	Above
Great Grimsby	£3.048m	£3.329m	9.2%	No protection	Above
Holderness	£1.234m	£1.251m	1.4%	Partial protection	Above
Kingston upon Hull	£10.685m	£13.022m	21.9%	No protection	Above
East Yorkshire	£2.941m	£3.026m	2.9%	Partial protection	Above
Scunthorpe	£2.870m	£3.692m	28.6%	No protection	Above
ISLE OF WIGHT	£28.243m	£30.465m	7.9%	No protection	Above
Medina	£2.193m	£2.231m	1.7%	Partial protection	Above
South Wight	£1.974m	£1.974m	-	Full protection	Above
KENT	£366.473m	£373.535m	1.9%	Partial protection	Below
Ashford	£2.371m	£2.303m	-2.9%	Full protection	Below
Canterbury	£3.999m	£3.991m	-.2%	Full protection	Above
Dartford	£3.994m	£4.049m	1.4%	Partial protection	Above
Dover	£4.608m	£4.608m	-	Full protection	Above
Gillingham	£1.618m	£1.766m	9.1%	No protection	Below
Gravesham	£3.412m	£3.380m	-.9%	Full protection	Above
Maidstone	£4.527m	£4.370m	-3.5%	Full protection	Above
Rochester upon Medway	£4.343m	£4.188m	-3.6%	Full protection	Below
Sevenoaks	£5.286m	£4.233m	-19.9%	Full protection	Above
Shepway	£4.153m	£4.104m	-1.2%	Full protection	Above
Swale	£4.421m	£3.744m	-15.3%	Full protection	Below
Thanet	£6.951m	£6.604m	-5.0%	Full protection	Above
Tonbridge and Malling	£3.978m	£3.951m	-.7%	Full protection	Above
Tunbridge Wells	£3.367m	£3.488m	3.6%	Partial protection	Above

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
LANCASHIRE	£365.855m	£382.258m	4.5%	No protection	Above
Blackburn	£7.595m	£7.879m	3.7%	Partial protection	Above
Blackpool	£7.032m	£7.170m	2.0%	Partial protection	Above
Burnley	£4.172m	£4.594m	10.1%	No protection	Above
Chorley	£2.421m	£3.065m	26.6%	No protection	Above
Fylde	£2.751m	£2.740m	-.4%	Full protection	Above
Hyndburn	£3.341m	£3.882m	16.2%	No protection	Above
Lancaster	£5.761m	£5.603m	-2.8%	Full protection	Above
Pendle	£4.144m	£4.382m	5.7%	No protection	Above
Preston	£4.861m	£4.562m	-6.2%	Full protection	Above
Ribble Valley	£1.714m	£1.745m	1.8%	Partial protection	Above
Rossendale	£3.576m	£3.470m	-3.0%	Full protection	Above
South Ribble	£2.565m	£2.545m	-.8%	Full protection	Below
West Lancashire	£4.024m	£4.017m	-.2%	Full protection	Above
Wyre	£3.578m	£3.644m	1.8%	Partial protection	Above
LEICESTERSHIRE	£217.127m	£225.489m	3.9%	Partial protection	Below
Blaby	£1.731m	£1.718m	-.8%	Full protection	Below
Charnwood	£3.598m	£3.515m	-2.3%	Full protection	Below
Harborough	£1.420m	£1.557m	9.6%	No protection	Below
Hinckley and Bosworth	£1.742m	£1.884m	8.2%	No protection	Below
Leicester	£12.301m	£14.636m	19.0%	No protection	Above
Melton	£.942m	£1.090m	15.7%	No protection	Below
North West Leicestershire	£1.988m	£2.157m	8.5%	No protection	Above
Oadby and Wigston	£1.171m	£1.217m	3.9%	Partial protection	Below
Rutland	£.705m	£.818m	16.0%	No protection	Below
LINCOLNSHIRE	£143.706m	£146.543m	2.0%	Partial protection	Below
Boston	£1.814m	£1.809m	-.3%	Full protection	Below
East Lindsey	£3.374m	£3.446m	2.1%	Partial protection	Below
Lincoln	£3.438m	£3.368m	-2.0%	Full protection	Above
North Kesteven	£2.136m	£2.127m	-.4%	Full protection	Below
South Holland	£2.203m	£2.220m	.8%	Partial protection	Below
South Kesteven	£3.028m	£2.914m	-3.8%	Full protection	Above
West Lindsey	£2.004m	£2.288m	14.2%	No protection	Below
NORFOLK	£165.643m	£165.643m	-	Full protection	Below
Breckland	£2.549m	£2.458m	-3.6%	Full protection	Below
Broadland	£2.348m	£2.296m	-2.2%	Full protection	Below
Great Yarmouth	£3.540m	£3.473m	-1.9%	Full protection	Above
North Norfolk	£2.387m	£2.378m	-.4%	Full protection	Below
Norwich	£5.181m	£5.576m	7.6%	No protection	Above
South Norfolk	£1.776m	£1.776m	-	Full protection	Below
Kings Lynn & West Norfolk	£3.746m	£3.548m	-5.3%	Full protection	Below
NORTHAMPTONSHIRE	£133.213m	£137.706m	3.4%	Partial protection	Below
Corby	£2.426m	£2.030m	-16.3%	Full protection	Above
Daventry	£1.356m	£1.355m	-.1%	Full protection	Above
East Northamptonshire	£1.366m	£1.335m	-2.3%	Full protection	Below
Kettering	£2.266m	£2.349m	3.7%	Partial protection	Below
Northampton	£5.312m	£5.312m	-	Full protection	Above
South Northamptonshire	£1.093m	£1.136m	3.9%	Partial protection	Above
Wellingborough	£1.024m	£1.149m	12.2%	No protection	Below

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
NORTHUMBERLAND	£83.588m	£84.761m	1.4%	Partial protection	Above
Alnwick	£.853m	£.848m	-.6%	Full protection	Above
Berwick-upon-Tweed	£.807m	£.751m	-6.9%	Full protection	Above
Blyth Valley	£2.863m	£2.962m	3.5%	Partial protection	Above
Castle Morpeth	£1.349m	£1.278m	-5.3%	Full protection	Below
Tynedale	£1.655m	£1.655m	-	Full protection	Above
Wansbeck	£3.248m	£3.241m	-.2%	Full protection	Above
NORTH YORKSHIRE	£177.239m	£183.309m	3.4%	Partial protection	Above
Craven	£1.673m	£1.683m	.6%	Partial protection	Above
Hambleton	£1.918m	£1.860m	-3.0%	Full protection	Below
Harrogate	£4.892m	£6.855m	40.1%	No protection	Above
Richmondshire	£1.557m	£1.556m	-.1%	Full protection	Above
Ryedale	£2.163m	£2.161m	-.1%	Full protection	Above
Scarborough	£5.012m	£4.411m	-12.0%	Full protection	Above
Selby	£2.649m	£2.628m	-.8%	Full protection	Above
York	£3.362m	£3.315m	-1.4%	Full protection	Above
NOTTINGHAMSHIRE	£263.897m	£285.884m	8.3%	No protection	Above
Ashfield	£2.959m	£3.119m	5.4%	No protection	Above
Bassetlaw	£3.346m	£3.098m	-7.4%	Full protection	Above
Broxtowe	£3.071m	£3.029m	-1.4%	Full protection	Below
Gedling	£2.657m	£2.649m	-.3%	Full protection	Above
Mansfield	£2.821m	£2.966m	5.1%	No protection	Above
Newark	£2.523m	£2.523m	-	Full protection	Above
Nottingham	£12.777m	£12.716m	-.5%	Full protection	Above
Rushcliffe	£3.037m	£2.868m	-5.6%	Full protection	Above
OXFORDSHIRE	£129.890m	£131.160m	1.0%	Partial protection	Above
Cherwell	£2.915m	£2.910m	-.2%	Full protection	Below
Oxford	£3.575m	£3.379m	-5.5%	Full protection	Below
South Oxfordshire	£3.466m	£3.350m	-3.3%	Full protection	Below
Vale of White Horse	£2.705m	£2.577m	-4.7%	Full protection	Below
West Oxfordshire	£2.006m	£2.025m	.9%	Partial protection	Below
SHROPSHIRE	£95.452m	£98.744m	3.4%	Partial protection	Below
Bridgnorth	£1.229m	£1.235m	.5%	Partial protection	Above
North Shropshire	£1.425m	£1.380m	-3.2%	Full protection	Above
Oswestry	£.898m	£.898m	-	Full protection	Above
Shrewsbury and Atcham	£2.512m	£2.462m	-2.0%	Full protection	Above
South Shropshire	£1.132m	£1.130m	-.2%	Full protection	Above
The Wrekin	£4.650m	£5.271m	13.4%	No protection	Above
SOMERSET	£104.227m	£108.115m	3.7%	Partial protection	Above
Mendip	£1.956m	£1.954m	-.1%	Full protection	Below
Sedgemoor	£3.207m	£2.909m	-9.3%	Full protection	Above
Taunton Deane	£2.441m	£2.398m	-1.8%	Full protection	Above
West Somerset	£.772m	£.772m	-	Full protection	Below
Yeovil	£3.088m	£3.079m	-.3%	Full protection	Below

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
STAFFORDSHIRE	£264.974m	£272.871m	3.0%	Partial protection	Above
Cannock Chase	£1.953m	£2.385m	22.1%	No protection	Below
East Staffordshire	£2.491m	£2.397m	-3.8%	Full protection	Below
Lichfield	£2.240m	£2.237m	-.1%	Full protection	Above
Newcastle-under-Lyme	£4.232m	£4.203m	-.7%	Full protection	Above
South Staffordshire	£2.196m	£2.235m	1.8%	Partial protection	Below
Stafford	£3.026m	£3.145m	3.9%	Partial protection	Above
Staffordshire Moorlands	£2.449m	£2.490m	1.7%	Partial protection	Below
Stoke-on-Trent	£8.939m	£8.936m	-	Full protection	Above
Tamworth	£1.951m	£1.878m	-3.7%	Full protection	Above
SUFFOLK	£140.067m	£144.870m	3.4%	Partial protection	Above
Babergh	£1.848m	£1.867m	1.0%	Partial protection	Above
Forest Heath	£1.382m	£1.186m	-14.2%	Full protection	Above
Ipswich	£4.126m	£6.074m	47.2%	No protection	Above
Mid Suffolk	£1.734m	£1.757m	1.3%	Partial protection	Below
St Edmundsbury	£2.487m	£2.479m	-.3%	Full protection	Above
Suffolk Coastal	£2.898m	£2.896m	-.1%	Full protection	Below
Waveney	£3.197m	£3.294m	3.0%	Partial protection	Below
SURREY	£237.905m	£242.437m	1.9%	Partial protection	Above
Elmbridge	£4.338m	£4.083m	-5.8%	Full protection	Above
Epsom and Ewell	£2.886m	£2.781m	-3.6%	Full protection	Above
Guildford	£3.442m	£3.435m	-.2%	Full protection	Below
Mole Valley	£2.542m	£2.394m	-5.8%	Full protection	Above
Reigate and Banstead	£3.810m	£3.501m	-8.1%	Full protection	Above
Runnymede	£2.148m	£2.129m	-.9%	Full protection	Below
Spelthorne	£3.276m	£2.903m	-11.4%	Full protection	Below
Surrey Heath	£2.115m	£2.155m	1.9%	Partial protection	Above
Tandridge	£2.029m	£2.028m	-	Full protection	Below
Waverley	£3.734m	£3.602m	-3.5%	Full protection	Above
Woking	£2.017m	£2.011m	-.3%	Full protection	Below
WARWICKSHIRE	£120.654m	£120.654m	-	Full protection	Below
North Warwickshire	£1.837m	£1.873m	2.0%	Partial protection	Above
Nuneaton and Bedworth	£4.468m	£4.977m	11.4%	No protection	Above
Rugby	£2.868m	£2.831m	-1.3%	Full protection	Above
Stratford on Avon	£3.013m	£2.986m	-.9%	Full protection	Above
Warwick	£3.502m	£3.632m	3.7%	Partial protection	Below
WEST SUSSEX	£146.810m	£152.667m	4.0%	Partial protection	Below
Adur	£2.105m	£2.260m	7.4%	No protection	Above
Arun	£4.338m	£4.324m	-.3%	Full protection	Below
Chichester	£2.933m	£2.928m	-.2%	Full protection	Below
Crawley	£2.688m	£3.582m	33.3%	No protection	Above
Horsham	£2.453m	£2.453m	-	Full protection	Below
Mid Sussex	£3.415m	£3.414m	-	Full protection	Above
Worthing	£4.379m	£4.318m	-1.4%	Full protection	Above
WILTSHIRE	£130.859m	£134.863m	3.1%	Partial protection	Below
Kennet	£1.808m	£1.803m	-.3%	Full protection	Above
North Wiltshire	£2.597m	£2.679m	3.2%	Partial protection	Below
Salisbury	£2.441m	£2.380m	-2.5%	Full protection	Below
Thamesdown	£5.472m	£5.353m	-2.2%	Full protection	Above
West Wiltshire	£1.996m	£2.376m	19.0%	No protection	Below

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
METROPOLITAN AUTHORITIES					
GREATER MANCHESTER	£221.190m	£242.260m	9.5%	No protection	Above
Bolton	£61.953m	£64.411m	4.0%	Partial protection	Above
Bury	£42.643m	£44.871m	5.2%	No protection	Above
Manchester	£168.267m	£177.493m	5.5%	No protection	Above
Oldham	£54.505m	£56.174m	3.1%	Partial protection	Below
Rochdale	£56.723m	£63.709m	12.3%	No protection	Above
Salford	£67.094m	£67.094m	-	Full protection	Above
Stockport	£66.551m	£69.010m	3.7%	Partial protection	Below
Tameside	£57.351m	£58.441m	1.9%	Partial protection	Above
Trafford	£54.303m	£54.307m	-	Full protection	Below
Wigan	£75.651m	£78.583m	3.9%	Partial protection	Above
MERSEYSIDE	£154.914m	£201.470m	30.1%	No protection	Above
Knowsley	£52.543m	£55.113m	4.9%	No protection	Above
Liverpool	£155.405m	£171.395m	10.3%	No protection	Above
St Helens	£49.699m	£50.608m	1.8%	Partial protection	Above
Sefton	£69.221m	£69.221m	-	Full protection	Below
Wirral	£86.451m	£86.380m	-.1%	Full protection	Above
SOUTH YORKSHIRE	£125.500m	£147.780m	17.8%	No protection	Above
Barnsley	£57.906m	£60.105m	3.8%	Partial protection	Above
Doncaster	£78.826m	£78.541m	-.4%	Full protection	Above
Rotherham	£64.428m	£64.290m	-.2%	Full protection	Above
Sheffield	£140.215m	£154.438m	10.1%	No protection	Above
TYNE AND WEAR	£116.632m	£128.139m	9.9%	No protection	Above
Gateshead	£54.471m	£56.622m	3.9%	Partial protection	Above
Newcastle upon Tyne	£86.601m	£88.330m	2.0%	Partial protection	Above
North Tyneside	£52.413m	£52.390m	-	Full protection	Above
South Tyneside	£45.244m	£46.021m	1.7%	Partial protection	Above
Sunderland	£74.932m	£81.996m	9.4%	No protection	Above
WEST MIDLANDS	£198.413m	£254.126m	28.1%	No protection	Above
Birmingham	£280.032m	£290.912m	3.9%	Partial protection	Above
Coventry	£82.067m	£87.145m	6.2%	No protection	Above
Dudley	£58.285m	£63.497m	8.9%	No protection	Below
Sandwell	£77.480m	£84.752m	9.4%	No protection	Above
Solihull	£46.553m	£46.086m	-1.0%	Full protection	Below
Walsall	£63.976m	£76.240m	19.2%	No protection	Above
Wolverhampton	£65.498m	£74.843m	14.3%	No protection	Above
WEST YORKSHIRE	£168.706m	£191.122m	13.3%	No protection	Above
Bradford	£126.287m	£126.287m	-	Full protection	Above
Calderdale	£50.996m	£51.304m	.6%	Partial protection	Above
Kirklees	£85.933m	£95.245m	10.8%	No protection	Above
Leeds	£159.814m	£169.626m	6.1%	No protection	Above
Wakefield	£78.207m	£78.177m	-	Full protection	Above

Table A

Comparison of local authority volume targets and revised budgets

	Volume target Nov '80 prices (1)	Revised budget volume Nov '80 prices (2)	% above target (3)	Holdback protection (4)	Spending in relation to GRE (5)
LONDON AUTHORITIES					
Camden	£44.443m	£52.954m	19.2%	No protection	Above
Greenwich	£31.368m	£34.481m	9.9%	No protection	Above
Hackney	£37.550m	£39.407m	4.9%	No protection	Above
Hammersmith and Fulham	£36.134m	£35.987m	-.4%	Full protection	Above
Islington	£38.803m	£40.160m	3.5%	Partial protection	Above
Kensington and Chelsea	£28.104m	£27.148m	-3.4%	Full protection	Above
Lambeth	£57.293m	£62.111m	8.4%	No protection	Above
Lewisham	£42.053m	£45.530m	8.3%	No protection	Above
Southwark	£53.628m	£53.591m	-.1%	Full protection	Above
Tower Hamlets	£39.647m	£43.073m	8.6%	No protection	Above
Wandsworth	£50.578m	£44.661m	-11.7%	Full protection	Above
Westminster	£48.441m	£48.441m	-	Full protection	Above
Barking and Dagenham	£44.569m	£44.548m	-	Full protection	Above
Barnet	£78.039m	£75.894m	-2.7%	Full protection	Above
Bexley	£60.939m	£60.903m	-.1%	Full protection	Above
Brent	£89.598m	£96.452m	7.6%	No protection	Above
Bromley	£76.194m	£75.574m	-.8%	Full protection	Above
Croydon	£85.862m	£85.360m	-.6%	Full protection	Above
Ealing	£89.381m	£88.058m	-1.5%	Full protection	Above
Enfield	£68.173m	£67.938m	-.3%	Full protection	Above
Haringey	£82.624m	£85.900m	4.0%	Partial protection	Above
Harrow	£53.371m	£53.350m	-	Full protection	Above
Havering	£66.428m	£66.383m	-.1%	Full protection	Above
Hillingdon	£70.370m	£67.549m	-4.0%	Full protection	Above
Hounslow	£59.176m	£64.263m	8.6%	No protection	Above
Kingston-upon-Thames	£35.885m	£34.401m	-4.1%	Full protection	Above
Merton	£47.393m	£44.836m	-5.4%	Full protection	Above
Newham	£74.222m	£81.721m	10.1%	No protection	Above
Redbridge	£57.244m	£57.240m	-	Full protection	Above
Richmond-upon-Thames	£41.970m	£41.922m	-.1%	Full protection	Above
Sutton	£41.034m	£41.834m	1.9%	Partial protection	Below
Waltham Forest	£66.836m	£74.863m	12.0%	No protection	Above
Inner London Education Authority	£598.800m	£636.515m	6.3%	No protection	Above
Greater London Council	£362.533m	£471.715m	30.1%	No protection	Above

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
AVON	£277.077m	£133.319m	£9.422m	8.0p	5.2%
Bath	£4.796m	£2.991m	-	-	-9.0%
Bristol	£35.066m	£14.939m	£1.341m	2.3p	40.7%
Kingswood	£2.825m	£1.657m	-	-	-13.3%
Northavon	£3.918m	£1.537m	-	-	-8.5%
Wansdyke	£2.765m	£1.444m	-	-	-8.5%
Woodspring	£6.732m	£3.018m	£.061m	.3p	9.5%
BEDFORDSHIRE	£168.526m	£60.542m	£4.258m	5.4p	10.5%
North Bedfordshire	£5.688m	£1.682m	-	-	11.2%
Luton	£8.406m	£2.856m	-	-	4.6%
Mid Bedfordshire	£2.793m	£.919m	-	-	11.5%
South Bedfordshire	£4.452m	£1.177m	-	-	-.8%
BERKSHIRE	£202.717m	£64.177m	£9.062m	7.7p	1.1%
Bracknell	£3.208m	£.447m	£.046m	.4p	34.1%
Newbury	£4.786m	£1.990m	-	-	-7.9%
Reading	£10.455m	£1.995m	£.563m	2.2p	43.1%
Slough	£5.628m	£1.549m	-	-	-.4%
Windsor and Maidenhead	£5.048m	£1.654m	-	-	-13.5%
Wokingham	£4.593m	£1.937m	-	-	-4.3%
BUCKINGHAMSHIRE	£168.924m	£54.723m	£7.480m	8.3p	3.6%
Aylesbury Vale	£4.657m	£1.152m	-	-	5.5%
South Buckinghamshire	£1.964m	£.280m	-	-	-20.5%
Chiltern	£3.351m	£.308m	-	-	9.8%
Milton Keynes	£6.449m	£1.167m	-	-	55.7%
Wycombe	£4.304m	-	-	-	-6.1%
CAMBRIDGESHIRE	£167.858m	£72.218m	£6.252m	7.9p	.1%
Cambridge	£4.997m	£1.413m	-	-	-.1%
East Cambridgeshire	£1.648m	£.682m	-	-	.2%
Fenland	£2.525m	£1.389m	-	-	-9.5%
Huntingdon	£4.157m	£1.791m	-	-	-6.2%
Peterborough	£8.799m	£2.730m	£.404m	2.2p	49.2%
South Cambridgeshire	£2.525m	£.688m	-	-	-28.1%
CHESHIRE	£308.306m	£139.273m	£11.088m	8.6p	6.5%
Chester	£6.130m	£1.977m	£.274m	1.6p	24.0%
Congleton	£3.263m	£.985m	-	-	27.1%
Crewe and Nantwich	£5.863m	£3.285m	-	-	12.7%
Ellesmere Port and Neston	£4.746m	£1.069m	£.242m	1.5p	16.0%
Halton	£6.717m	£2.900m	£.151m	1.0p	21.0%
Macclesfield	£6.171m	£2.248m	-	-	2.8%
Vale Royal	£5.110m	£1.875m	-	-	25.1%
Warrington	£8.790m	£2.652m	-	-	35.6%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback — Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
CLEVELAND	£212.895m	£110.325m	£6.748m	9.1p	11.7%
Hartlepool	£6.044m	£3.560m	£.099m	1.0p	21.8%
Langbaurgh	£13.032m	£3.796m	£.617m	2.8p	68.2%
Middlesbrough	£14.423m	£8.189m	£.250m	1.5p	43.8%
Stockton-on-Tees	£11.113m	£3.512m	£.504m	1.9p	35.5%
CORNWALL	£117.571m	£68.245m	-	-	-4.2%
Caradon	£2.714m	£1.461m	-	-	10.4%
Carrick	£3.900m	£2.194m	-	-	7.7%
Kerrier	£3.029m	£1.914m	-	-	-15.9%
North Cornwall	£2.815m	£1.550m	£.083m	1.2p	4.5%
Penwith	£3.016m	£1.909m	-	-	5.6%
Restormel	£2.993m	£1.413m	-	-	-5.5%
CUMBRIA	£150.877m	£94.363m	£3.703m	8.0p	4.4%
Allerdale	£4.695m	£2.801m	-	-	14.8%
Barrow in Furness	£4.047m	£2.639m	-	-	15.5%
Carlisle	£5.945m	£2.521m	£.228m	2.1p	54.1%
Copeland	£4.177m	£2.140m	-	-	61.6%
Eden	£1.545m	£.932m	-	-	-13.3%
South Lakeland	£4.415m	£2.586m	-	-	1.2%
DERBYSHIRE	£273.128m	£151.466m	£4.779m	4.7p	2.9%
Amber Valley	£4.538m	£2.717m	-	-	-7.7%
Bolsover	£3.447m	£2.175m	£.050m	.9p	17.2%
Chesterfield	£5.860m	£2.487m	-	-	43.4%
Derby	£11.925m	£4.213m	-	-	33.5%
Erewash	£4.621m	£2.519m	-	-	5.6%
High Peak	£3.935m	£1.967m	-	-	18.8%
North East Derbyshire	£4.504m	£2.370m	£.035m	.4p	34.0%
South Derbyshire	£2.134m	£.674m	-	-	-11.7%
West Derbyshire	£2.777m	£1.647m	-	-	-5.3%
DEVON	£260.112m	£138.852m	-	-	-4.1%
East Devon	£4.421m	£2.343m	-	-	-4.0%
Exeter	£4.180m	£1.747m	-	-	-.9%
North Devon	£3.627m	£2.216m	£.055m	.7p	1.7%
Plymouth	£10.771m	£6.612m	-	-	-13.5%
South Hams	£2.866m	£1.848m	-	-	-14.2%
Teignbridge	£4.371m	£2.560m	-	-	-1.3%
Mid Devon	£1.957m	£1.039m	-	-	-.6%
Torbay	£5.825m	£2.856m	£.194m	1.2p	1.7%
Torridge	£2.283m	£1.606m	£.011m	.3p	.2%
West Devon	£1.439m	£1.001m	-	-	-24.5%
DORSET	£173.078m	£69.235m	-	-	9.4%
Bournemouth	£9.405m	£4.050m	-	-	6.7%
Christchurch	£1.661m	£.533m	-	-	3.8%
North Dorset	£1.293m	£.583m	-	-	-16.6%
Poole	£5.823m	£2.290m	-	-	4.7%
Purbeck	£1.282m	£.623m	-	-	-21.6%
West Dorset	£2.475m	£1.519m	-	-	-28.6%
Weymouth and Portland	£2.862m	£1.626m	-	-	8.9%
Wimbourne	£2.284m	£1.086m	-	-	-18.8%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
DURHAM	£195.221m	£123.709m	£4.696m	8.2p	9.1%
Chester-le-Street	£2.836m	£1.652m	£.047m	1.1p	39.4%
Darlington	£7.759m	£2.915m	-	-	61.4%
Derwentside	£6.167m	£3.006m	£.211m	2.5p	77.0%
Durham	£5.421m	£2.726m	£.045m	.5p	83.8%
Easington	£5.576m	£4.143m	£.024m	.3p	8.1%
Sedgefield	£7.985m	£4.625m	£.135m	1.5p	53.4%
Teesdale	£.889m	£.513m	£.006m	.3p	2.8%
Wear Valley	£4.917m	£2.885m	-	-	52.4%
EAST SUSSEX	£181.809m	£69.170m	£1.844m	1.9p	4.0%
Brighton	£12.413m	£5.235m	-	-	20.3%
Eastbourne	£6.169m	£2.261m	£.065m	.5p	24.3%
Hastings	£4.534m	£2.619m	-	-	7.8%
Hove	£4.516m	£2.407m	-	-	-14.8%
Lewes	£3.984m	£1.723m	-	-	8.7%
Rother	£3.807m	£1.811m	-	-	2.5%
Wealden	£4.271m	£1.701m	-	-	6.6%
ESSEX	£406.437m	£155.057m	-	-	-3.1%
Basildon	£11.309m	£3.824m	£.498m	2.2p	41.1%
Braintree	£4.098m	£1.711m	-	-	-5.6%
Brentwood	£2.364m	£.608m	-	-	-17.7%
Castle Point	£3.637m	£1.292m	-	-	11.5%
Chelmsford	£4.473m	£.514m	-	-	11.5%
Colchester	£4.642m	£1.448m	-	-	1.4%
Epping Forest	£4.147m	£.676m	-	-	3.8%
Harlow	£6.735m	£.484m	£.418m	3.1p	94.8%
Maldon	£1.618m	£.591m	-	-	-12.5%
Rochford	£2.918m	£1.344m	-	-	-7.0%
Southend-on-Sea	£10.125m	£4.715m	-	-	6.2%
Tendring	£5.560m	£2.452m	-	-	11.7%
Thurrock	£7.113m	£1.622m	-	-	3.0%
Uttlesford	£2.095m	£1.070m	-	-	-21.8%
GLOUCESTERSHIRE	£146.894m	£71.285m	£1.237m	2.0p	1.7%
Cheltenham	£4.266m	£1.658m	-	-	4.6%
Cotswold	£2.515m	£1.255m	-	-	-13.5%
Forest of Dean	£2.236m	£1.454m	-	-	-26.0%
Gloucester	£3.017m	£1.437m	-	-	-20.7%
Stroud	£3.391m	£1.362m	-	-	1.7%
Tewkesbury	£2.343m	£.829m	-	-	-5.8%
HAMPSHIRE	£428.165m	£189.115m	£3.907m	1.9p	.3%
Basingstoke and Deane	£5.349m	£1.162m	-	-	33.8%
East Hampshire	£3.764m	£2.069m	-	-	-9.3%
Eastleigh	£3.440m	£.853m	-	-	12.7%
Fareham	£4.161m	£1.791m	-	-	12.6%
Gosport	£3.249m	£1.850m	-	-	-11.5%
Hart	£2.894m	£1.000m	£.124m	1.3p	13.3%
Havant	£4.884m	£2.678m	-	-	-10.4%
New Forest	£6.140m	£2.201m	-	-	-1.0%
Portsmouth	£15.829m	£7.542m	-	-	3.9%
Rushmoor	£5.111m	£2.286m	-	-	21.5%
Southampton	£12.989m	£5.891m	-	-	16.0%
Test Valley	£3.510m	£1.351m	-	-	-.9%
Winchester	£4.093m	£1.380m	-	-	16.8%

Table B

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
HEREFORD AND WORCESTER	£180.609m	£86.113m	-	-	-2.4%
Bromsgrove	£2.729m	£.802m	-	-	-2.8%
Hereford	£2.040m	£.450m	-	-	31.4%
Leominster	£1.243m	£.681m	-	-	-6.3%
Malvern Hills	£2.666m	£1.318m	-	-	-16.1%
Redditch	£3.801m	£1.143m	£.044m	.5p	37.6%
South Herefordshire	£1.604m	£.827m	-	-	-3.4%
Worcester	£3.988m	£.733m	£.216m	1.8p	32.9%
Wychavon	£4.426m	£1.340m	-	-	24.9%
Wyre Forest	£6.322m	£2.217m	£.273m	2.2p	48.2%
HERTFORDSHIRE	£287.145m	£90.277m	-	-	.2%
Broxbourne	£4.241m	£2.307m	-	-	-8.0%
Dacorum	£5.258m	£.396m	-	-	39.7%
East Hertfordshire	£4.835m	£1.393m	-	-	16.8%
Hertsmere	£5.404m	£1.100m	-	-	30.5%
North Hertfordshire	£4.183m	£.353m	-	-	14.3%
St Albans	£4.804m	£.659m	-	-	8.2%
Stevenage	£5.925m	£.183m	-	-	82.9%
Three Rivers	£4.071m	£.915m	-	-	26.0%
Watford	£5.847m	£2.068m	£.150m	1.0p	14.7%
Welwyn Hatfield	£5.293m	-	-	-	82.1%
HUMBERSIDE	£281.231m	£168.855m	£7.363m	7.8p	4.1%
Beverley	£3.530m	£1.557m	-	-	-2.0%
Boothferry	£3.596m	£2.050m	£.103m	1.9p	35.1%
Cleethorpes	£4.452m	£1.934m	£.100m	1.2p	36.8%
Glanford	£3.527m	£1.172m	£.157m	1.9p	64.0%
Great Grimsby	£4.942m	£2.937m	£.131m	1.2p	.3%
Holderness	£1.745m	£.919m	£.014m	.3p	1.1%
Kingston upon Hull	£19.397m	£10.886m	£.565m	2.0p	37.1%
East Yorkshire	£3.841m	£2.226m	£.064m	1.0p	23.3%
Scunthorpe	£5.914m	£2.389m	£.235m	2.2p	34.4%
ISLE OF WIGHT	£34.619m	£18.749m	£1.038m	8.0p	1.2%
Medina	£3.071m	£1.553m	£.025m	.3p	10.4%
South Wight	£2.778m	£1.270m	-	-	32.5%
KENT	£413.684m	£208.483m	-	-	-3.2%
Ashford	£3.769m	£1.890m	-	-	-.8%
Canterbury	£6.465m	£3.215m	-	-	19.1%
Dartford	£5.751m	£2.756m	£.050m	.5p	33.2%
Dover	£5.894m	£3.509m	-	-	12.2%
Gillingham	£2.453m	£1.548m	-	-	-37.9%
Gravesham	£4.645m	£2.198m	-	-	7.4%
Maidstone	£5.784m	£2.902m	-	-	2.1%
Rochester upon Medway	£6.683m	£3.592m	-	-	-11.5%
Sevenoaks	£5.047m	£1.986m	-	-	26.4%
Shepway	£5.179m	£2.378m	-	-	19.9%
Swale	£5.082m	£2.966m	-	-	-1.4%
Thanet	£8.606m	£4.719m	-	-	23.5%
Tonbridge and Malling	£4.429m	£1.407m	-	-	29.5%
Tunbridge Wells	£4.226m	£1.798m	£.096m	.8p	15.4%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
LANCASHIRE	£421.286m	£264.158m	£10.276m	7.5p	.9%
Blackburn	£12.563m	£7.902m	£.186m	1.4p	41.1%
Blackpool	£9.823m	£5.342m	£.074m	.4p	18.6%
Burnley	£7.679m	£4.640m	£.203m	2.5p	53.2%
Chorley	£3.765m	£2.261m	£.098m	1.2p	2.3%
Fylde	£3.477m	£1.575m	-	-	18.5%
Hyndburn	£5.195m	£3.432m	£.117m	1.8p	28.1%
Lancaster	£7.405m	£3.931m	-	-	29.5%
Pendle	£5.626m	£3.936m	£.112m	1.8p	29.1%
Preston	£7.614m	£4.237m	-	-	15.7%
Ribble Valley	£2.424m	£1.334m	£.018m	.4p	16.0%
Rossendale	£4.436m	£2.761m	-	-	82.5%
South Ribble	£3.468m	£1.999m	-	-	-9.0%
West Lancashire	£4.758m	£2.569m	-	-	1.3%
Wyre	£4.590m	£2.429m	£.035m	.3p	9.5%
LEICESTERSHIRE	£247.329m	£126.156m	-	-	-2.7%
Blaby	£2.287m	£.927m	-	-	-11.2%
Charnwood	£4.568m	£1.875m	-	-	-13.7%
Harborough	£2.157m	£.991m	-	-	-9.3%
Hinckley and Bosworth	£2.672m	£1.083m	-	-	-13.9%
Leicester	£20.235m	£9.913m	£.681m	1.7p	14.1%
Melton	£1.508m	£.627m	-	-	-4.6%
North West Leicestershire	£3.104m	£1.171m	£.127m	1.3p	9.0%
Oadby and Wigston	£1.484m	£.502m	-	-	-15.2%
Rutland	£.918m	£.331m	-	-	-7.2%
LINCOLNSHIRE	£158.987m	£92.259m	-	-	-1.8%
Boston	£2.089m	£1.004m	-	-	-.6%
East Lindsey	£4.244m	£2.292m	-	-	-5.1%
Lincoln	£4.027m	£1.528m	-	-	30.2%
North Kesteven	£2.588m	£1.531m	-	-	-15.4%
South Holland	£2.855m	£1.915m	-	-	-10.0%
South Kesteven	£3.670m	£1.735m	-	-	1.2%
West Lindsey	£3.061m	£1.839m	-	-	-5.2%
NORFOLK	£185.721m	£91.796m	-	-	-4.2%
Breckland	£2.963m	£1.538m	-	-	-20.2%
Broadland	£2.889m	£1.293m	-	-	-8.6%
Great Yarmouth	£5.247m	£1.981m	-	-	37.1%
North Norfolk	£3.331m	£1.727m	-	-	-6.6%
Norwich	£9.162m	£3.303m	£.388m	1.8p	19.5%
South Norfolk	£2.948m	£1.736m	-	-	-22.3%
Kings Lynn & West Norfolk	£5.323m	£2.620m	-	-	-.8%
NORTHAMPTONSHIRE	£156.000m	£73.873m	-	-	-1.7%
Corby	£2.765m	£.271m	-	-	56.7%
Daventry	£1.846m	£.344m	-	-	11.7%
East Northamptonshire	£1.703m	£.720m	-	-	-14.0%
Kettering	£3.505m	£2.266m	-	-	-7.1%
Northampton	£9.682m	£4.560m	-	-	4.3%
South Northamptonshire	£1.926m	£.742m	£.047m	.7p	14.5%
Wellingborough	£2.661m	£1.254m	-	-	-1.3%

Table B

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
NORTHUMBERLAND	£94.539m	£55.162m	£.645m	2.1p	5.6%
Alnwick	£1.476m	£.953m	-	-	4.4%
Berwick-upon-Tweed	£1.106m	£.479m	-	-	27.3%
Blyth Valley	£4.851m	£3.199m	£.065m	1.0p	17.9%
Castle Morpeth	£1.837m	£.827m	-	-	-1.0%
Tynedale	£2.612m	£1.567m	-	-	3.0%
Wansbeck	£4.589m	£1.654m	-	-	71.1%
NORTH YORKSHIRE	£200.310m	£113.114m	£3.422m	4.7p	1.2%
Craven	£2.177m	£1.169m	£.017m	.4p	16.8%
Hambleton	£2.400m	£1.085m	-	-	-1.8%
Harrogate	£8.294m	£3.713m	£.304m	2.0p	40.6%
Richmondshire	£2.028m	£1.136m	-	-	14.9%
Ryedale	£2.817m	£1.443m	-	-	3.3%
Scarborough	£5.456m	£2.853m	-	-	22.6%
Selby	£3.359m	£.976m	-	-	6.3%
York	£5.041m	£2.789m	-	-	9.8%
NOTTINGHAMSHIRE	£317.590m	£175.297m	£9.319m	7.7p	3.3%
Ashfield	£4.669m	£2.786m	£.123m	1.2p	4.4%
Bassetlaw	£5.730m	£1.293m	-	-	34.8%
Broxtowe	£4.267m	£2.294m	-	-	-3.2%
Gedling	£3.724m	£1.697m	-	-	4.8%
Mansfield	£5.659m	£3.697m	£.129m	1.4p	9.2%
Newark	£4.301m	£2.096m	-	-	12.4%
Nottingham	£17.616m	£7.700m	-	-	19.7%
Rushcliffe	£4.021m	£1.137m	-	-	24.5%
OXFORDSHIRE	£153.532m	£58.782m	£1.551m	2.0p	3.1%
Cherwell	£3.897m	£1.315m	-	-	-2.5%
Oxford	£5.747m	£2.750m	-	-	-10.8%
South Oxfordshire	£4.445m	£1.584m	-	-	-7.1%
Vale of White Horse	£3.156m	£.368m	-	-	-4.2%
West Oxfordshire	£2.577m	£1.059m	-	-	-7.9%
SHROPSHIRE	£110.174m	£62.122m	-	-	-3.6%
Bridgnorth	£1.621m	£.570m	£.017m	.3p	4.2%
North Shropshire	£1.748m	£.900m	-	-	7.4%
Oswestry	£1.122m	£.612m	-	-	40.6%
Shrewsbury and Atcham	£3.278m	£1.042m	-	-	5.9%
South Shropshire	£1.437m	£.808m	-	-	11.7%
The Wrekin	£7.617m	£3.224m	£.292m	2.0p	42.1%
SOMERSET	£123.754m	£64.856m	£2.311m	4.7p	.5%
Mendip	£2.659m	£1.269m	-	-	-15.2%
Sedgemoor	£3.532m	£1.531m	-	-	11.0%
Taunton Deane	£3.559m	£1.781m	-	-	.1%
West Somerset	£1.020m	£.634m	-	-	-36.3%
Yeovil	£4.128m	£1.690m	-	-	-1.8%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
STAFFORDSHIRE	£306.903m	£157.551m	£5.866m	4.9p	2.6%
Cannock Chase	£3.577m	£1.829m	-	-	-4.7%
East Staffordshire	£3.393m	£1.197m	-	-	-.8%
Lichfield	£2.648m	£.635m	-	-	12.4%
Newcastle-under-Lyme	£5.684m	£2.313m	-	-	38.9%
South Staffordshire	£2.848m	£.989m	-	-	-7.2%
Stafford	£4.411m	£1.516m	£.114m	.7p	3.6%
Staffordshire Moorlands	£2.841m	£1.209m	-	-	-.8%
Stoke-on-Trent	£12.257m	£5.690m	-	-	13.9%
Tamworth	£3.153m	£1.919m	-	-	1.0%
SUFFOLK	£167.369m	£76.300m	£3.574m	4.8p	.9%
Babergh	£3.237m	£1.517m	£.028m	.3p	7.4%
Forest Heath	£2.152m	£.874m	-	-	30.5%
Ipswich	£7.737m	£2.561m	£.343m	1.9p	32.9%
Mid Suffolk	£2.502m	£1.201m	-	-	-4.0%
St Edmundsbury	£3.119m	£1.019m	-	-	5.6%
Suffolk Coastal	£3.766m	£1.570m	-	-	-4.4%
Waveney	£4.748m	£2.865m	-	-	-2.0%
SURREY	£266.202m	£73.552m	£3.151m	1.9p	1.8%
Elmbridge	£5.202m	£1.283m	-	-	1.6%
Epsom and Ewell	£3.409m	£1.387m	-	-	.5%
Guildford	£4.682m	£1.294m	-	-	-9.1%
Mole Valley	£3.058m	£.908m	-	-	.2%
Reigate and Banstead	£4.675m	£1.115m	-	-	7.1%
Runnymede	£2.745m	£1.106m	-	-	-13.3%
Spelthorne	£3.915m	£.685m	-	-	-8.2%
Surrey Heath	£2.966m	£.487m	£.041m	.3p	10.6%
Tandridge	£2.489m	£.814m	-	-	-3.8%
Waverley	£4.529m	£1.393m	-	-	7.3%
Woking	£3.644m	£1.659m	-	-	-13.4%
WARWICKSHIRE	£134.154m	£60.779m	-	-	-4.3%
North Warwickshire	£2.824m	£1.101m	£.028m	.4p	13.6%
Nuneaton and Bedworth	£7.843m	£3.617m	£.281m	2.2p	44.2%
Rugby	£3.643m	£1.286m	-	-	10.4%
Stratford on Avon	£4.589m	£.399m	-	-	55.8%
Warwick	£4.845m	£1.842m	-	-	-4.6%
WEST SUSSEX	£166.656m	£60.568m	-	-	-4.6%
Adur	£3.509m	£1.089m	£.161m	2.0p	40.5%
Arun	£6.009m	£3.354m	-	-	-3.4%
Chichester	£4.126m	£1.990m	-	-	-5.9%
Crawley	£5.508m	-	-	-	82.9%
Horsham	£3.562m	£1.467m	-	-	-8.5%
Mid Sussex	£4.732m	£1.815m	-	-	3.0%
Worthing	£5.601m	£2.386m	-	-	15.5%
WILTSHIRE	£148.990m	£83.051m	-	-	-3.2%
Kennet	£2.465m	£1.156m	-	-	14.1%
North Wiltshire	£3.519m	£1.953m	-	-	-11.8%
Salisbury	£3.472m	£1.467m	-	-	-7.8%
Thamesdown	£11.861m	£4.338m	-	-	71.6%
West Wiltshire	£2.990m	£1.621m	-	-	-22.8%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
METROPOLITAN AUTHORITIES					
GREATER MANCHESTER	£218.336m	£106.147m	£7.414m	2.3p	22.8%
Bolton	£79.573m	£50.019m	£1.160m	4.3p	.6%
Bury	£53.653m	£30.650m	£1.509m	8.1p	7.4%
Manchester	£240.359m	£111.720m	£8.554m	11.8p	35.5%
Oldham	£73.272m	£49.225m	-	-	-2.6%
Rochdale	£76.588m	£48.369m	£1.861m	9.1p	16.9%
Salford	£86.298m	£54.768m	-	-	8.8%
Stockport	£82.664m	£40.704m	-	-	-.6%
Tameside	£72.151m	£45.980m	£.429m	2.0p	6.1%
Trafford	£64.858m	£25.221m	-	-	-4.4%
Wigan	£98.206m	£61.137m	£1.458m	4.8p	5.6%
MERSEYSIDE	£159.660m	£74.087m	£5.688m	3.0p	37.9%
Knowsley	£64.109m	£39.207m	£1.630m	7.6p	1.6%
Liverpool	£203.869m	£119.101m	£5.581m	8.1p	11.7%
St Helens	£63.814m	£34.575m	£.480m	2.2p	8.8%
Sefton	£82.307m	£47.501m	-	-	-9.0%
Wirral	£102.401m	£55.280m	-	-	.5%
SOUTH YORKSHIRE	£148.629m	£72.294m	£5.101m	3.8p	75.4%
Barnsley	£73.391m	£48.984m	£.963m	5.2p	12.1%
Doncaster	£98.070m	£57.769m	-	-	17.7%
Rotherham	£82.846m	£53.846m	-	-	9.5%
Sheffield	£198.131m	£95.091m	£6.818m	10.5p	27.2%
TYNE AND WEAR	£127.417m	£68.152m	£3.945m	3.2p	43.1%
Gateshead	£69.291m	£42.404m	£1.060m	5.0p	10.5%
Newcastle upon Tyne	£115.600m	£44.389m	£1.181m	2.9p	35.0%
North Tyneside	£66.771m	£38.912m	-	-	16.4%
South Tyneside	£58.760m	£39.719m	£.314m	2.0p	14.7%
Sunderland	£98.366m	£63.939m	£2.267m	8.6p	15.0%
WEST MIDLANDS	£240.038m	£79.543m	£10.641m	2.6p	32.7%
Birmingham	£347.578m	£165.229m	£7.172m	4.5p	4.5%
Coventry	£107.225m	£55.536m	£3.387m	7.8p	4.0%
Dudley	£74.958m	£30.702m	-	-	-4.7%
Sandwell	£104.484m	£40.739m	£4.188m	8.5p	9.2%
Solihull	£55.853m	£24.024m	-	-	-4.0%
Walsall	£90.679m	£38.600m	£3.427m	8.9p	12.6%
Wolverhampton	£94.023m	£39.123m	£3.616m	8.8p	13.8%
WEST YORKSHIRE	£164.601m	£95.435m	£4.565m	2.2p	19.2%
Bradford	£147.187m	£98.997m	-	-	4.8%
Calderdale	£60.464m	£41.244m	£.316m	2.0p	10.4%
Kirklees	£115.740m	£77.746m	£2.490m	7.9p	4.4%
Leeds	£210.169m	£116.035m	£6.159m	7.3p	1.7%
Wakefield	£95.526m	£55.160m	-	-	9.9%

Local authority revised cash budgets, latest estimated grant entitlements and provisional grant holdback

Table B

	Revised budget for total expenditure (1)	Block grant entitlement before holdback (2)	Provisional grant holdback (3)	Holdback as rate poundage (4)	Spending in relation to GRE (5)
LONDON AUTHORITIES					
Camden	£100.177m	-	-	-	72.3%
Greenwich	£51.328m	£27.501m	£1.592m	5.0p	59.0%
Hackney	£65.529m	£35.712m	£1.993m	5.7p	40.2%
Hammersmith and Fulham	£51.481m	£27.812m	-	-	26.6%
Islington	£69.536m	£18.776m	£2.040m	4.1p	44.0%
Kensington and Chelsea	£36.139m	£4.348m	-	-	7.8%
Lambeth	£98.831m	£44.140m	£3.661m	6.4p	46.2%
Lewisham	£74.099m	£42.013m	£2.150m	6.5p	69.4%
Southwark	£87.032m	£34.189m	-	-	49.7%
Tower Hamlets	£57.775m	£20.372m	£2.512m	5.8p	78.9%
Wandsworth	£59.810m	£39.952m	-	-	12.4%
Westminster	£65.876m	-	-	-	13.8%
Barking and Dagenham	£57.987m	£23.746m	-	-	26.2%
Barnet	£89.053m	£32.472m	-	-	.8%
Bexley	£75.211m	£39.092m	-	-	14.0%
Brent	£121.421m	£46.782m	£4.946m	9.8p	22.2%
Bromley	£89.461m	£42.471m	-	-	3.3%
Croydon	£101.136m	£45.174m	-	-	3.0%
Ealing	£103.648m	£45.874m	-	-	5.1%
Enfield	£88.137m	£36.405m	-	-	7.9%
Haringey	£109.289m	£50.772m	£2.335m	6.8p	35.9%
Harrow	£66.459m	£27.128m	-	-	12.4%
Havering	£81.001m	£38.215m	-	-	11.5%
Hillingdon	£82.197m	£21.354m	-	-	16.4%
Hounslow	£82.459m	£21.964m	£3.999m	8.4p	19.7%
Kingston-upon-Thames	£43.490m	£15.847m	-	-	9.2%
Merton	£54.525m	£25.853m	-	-	8.8%
Newham	£110.658m	£57.079m	£3.552m	10.1p	23.3%
Redbridge	£69.349m	£34.628m	-	-	.8%
Richmond-upon-Thames	£48.794m	£20.609m	-	-	10.1%
Sutton	£50.899m	£24.345m	-	-	-.8%
Waltham Forest	£98.846m	£49.744m	£3.259m	10.5p	29.5%
Inner London Education Authority	£697.453m	£5.517m	£5.517m	.5p	49.0%
Greater London Council	£573.144m	£48.278m	£34.955m	1.8p	41.1%

EA

SECRETARY OF STATE FOR THE ENVIRONMENT

Local Govt

Copies to Mr Hoskyns ~~Policy Unit~~

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

3 September 1981

Dear Godfrey

I attach a copy of a statement to be made this afternoon by the Secretary of State on local authority current expenditure 1981/82. This follows from his letter to the Chief Secretary on 14 August and the agreement of the Prime Minister to the terms of the statement as outlined in Clive Whitmore's letter of 2 September. The statement is amplified by a circular letter to be sent today to all local authorities in England, a copy of which will follow.

As I said in our telephone conversation, we would have liked to give departments rather more warning of the statement than they have had, but unfortunately this was not possible given the very tight timetable in which we had to work.

I am copying this letter and enclosures to Clive Whitmore, Terry Matthews, private secretaries to all other Cabinet Ministers and to David Wright.

Yours ever

Jeff Channing

J P CHANNING
Private Secretary

Godfrey Robson Esq

LOCAL AUTHORITY CURRENT EXPENDITURE : 1981/82

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

3 SEPTEMBER 1981

1. The original budgets submitted in April by local authorities indicated a 'raw' planned excess on current expenditure of about £800m (5.3%) over the RSG settlement level. I was not prepared to accept such a figure and I therefore called for revised budgets. The majority of local authorities (257) have made significant efforts to reduce their expenditure plans from their original budgets in line with the Government's request in June. But a small number of authorities have ignored the Government's request for economy and have actually increased their expenditure plans by a substantial amount so that overall the total of planned current expenditure remains above the Government's target by about 5½%, or in cash terms some 8%.

2. This is a disappointing overall result, and the Government will be obliged to propose reducing the total of block grant by means of a Supplementary Report to be presented to Parliament in the autumn. Authorities which meet the Government's target for the reduction in the volume of their expenditure or which spend below the typical level represented by the "Grant-Related Expenditure" (GRE) will however be exempted from the effects of this reduction. I am also proposing exemptions in respect of expenditure on the urban programme and in respect of certain additional expenditure arising from the urban riots earlier this year. When these exemptions are made the holdback would be in the region of £290-£300 million assuming authorities present expenditure plans and unchanged GREs.

3. I am grateful to all those authorities who have made great efforts to secure reductions in their expenditure plans in line with the Government's overall targets. These results are a vindication of the tradition of voluntary co-operation between central and local government to ensure that local government expenditure as a whole remains within what the national economy can afford.

4. The action of a few authorities which have made enormous increases in their expenditure could however imperil this relationship. I told local government in June that further legislation might be needed next session to bring home to authorities and their electorates the consequences of high-spending policies if the response to the call for revised budgets was unsatisfactory. The increased

expenditure now proposed by certain authorities, which flies in the face of the economic realities and the urgent need to reduce the pressure of rates on commerce and industry, makes it in my view certain that such legislative measures will be needed in the next session of Parliament.

Jti VB

Local Gov

10 DOWNING STREET

From the Principal Private Secretary

2 September 1981

Local Authority Current Expenditure 1981/82: Revised Budgets

I spoke to you earlier today about your Secretary of State's wish to issue a press statement this week based on the proposals set out in his letter of 14 August 1981 to the Chief Secretary.

I understand from Terry Mathews that Mr. Brittan accepts Mr. Heseltine's proposal that there should be an exemption for local authorities spending at or below their GRE. This has the effect of reducing the holdback of grant to about £310 million. I gather too that the Chief Secretary is prepared to go along with the exemptions proposed by Mr. Heseltine at a) and b) of Annex B to his letter of 14 August (ie expenditure on riots and emergencies and expenditure on the urban programme) but not with those at c)-g).

After consulting Mr. Heseltine you told me that, in the interests of making an early statement, he was ready, though reluctantly, to agree that the only exemptions should be those accepted by the Chief Secretary and set out in the previous paragraph.

I have now consulted the Prime Minister about all this. She understands that, if the exemptions mentioned above are made, the total holdback would be in the region of £290-300 million, assuming local authorities' present expenditure plans and present GRE's. She thinks that this is as far as we should go and that this should provide the basis of Mr. Heseltine's press statement.

I am sending copies of this letter to Terry Mathews (HM Treasury), to the Private Secretaries to all other members of Cabinet and to David Wright (Cabinet Office).

Clw

Jeff Jacobs, Esq.,
Department of the Environment.

VB

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

2 September 1981

Dear Willie

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISED BUDGETS

On the assumption that the Prime Minister is able to discuss with my Secretary of State and the Chief Secretary this afternoon the proposals set out in Mr Heseltine's letter of 14 August, the Prime Minister may find it helpful to have the attached summary of the salient figures.

The Secretary of State has asked me to say that the scale of response from a large number of individual local authorities hidden by the obdurate attitude of a small number makes it very difficult, he believes, to find any politically acceptable options other than those proposed in his earlier letter. The draft press notice (also enclosed) spells this out clearly.

I am copying this to Terry Mathews.

Yours sincerely

Jeff Jacobs

J JACOBS
Private Secretary

Willie Rickett Esq - No 10

LOCAL AUTHORITY CURRENT EXPENITURE 1981-82:REVISED BUDGETS

E Committee decided (E(81)17th, Item 2) that "the Secretary of State for the Environment should warn that the Government was prepared to consider withholding grants totalling up to £450 million, should continued overspending make this necessary".

The call for revised budgets has produced a gross reduction of about £200 million (November 1980 prices), offset by an increase of about £210 million. Of the increase, £140 million is due to the decisions of two authorities, the GLC and the West Midlands Metropolitan County.

The effect of these changes is to reduce the prospective holdback from £450 million to about £360 million, on the basis of the "poundage schedule" referred to in the documents issued at the time of the statement of 2 June.

The Secretary of State proposed in his letter of 14 August an exemption from holdback for authorities spending at or below their GRE. This would reduce holdback from about £360 million to about £310 million.

He also proposed exemption for certain categories of expenditure, listed in Annex B to his letter. This would further reduce holdback to about £260 million.

Mr Pym's office have suggested informally that authorities spending a little way above GRE should be given partial protection from holdback. Depending on the detailed arrangements, this could reduce holdback by another £50 million or so. My Secretary of State is not at present proposing to announce a concession of this kind, but it may be necessary to do so if local authorities press for it. A decision on this point is not required today.

The Chief Secretary has suggested that the exemptions proposed might be acceptable if the total holdback were kept at £360 million. This could only be done by increasing the penalties for those who remain above their volume target to levels beyond those indicated in the statement of 2 June. This would be contrary to the Government's declared intentions and is in the Secretary of State's (Environment) view unthinkable.

The budget excess over Government targets now and compared with original budgets are as follows:

Original Budgets	(a) at Nov 80 prices	£880 m (5.8%)
	(b) at outturn prices	£1350 m (8.4%)
Revised Budgets	(a) at Nov 80 prices	£896 m (5.9%)
	(b) at outturn prices	£1432 m (8.9%)

2F.

DRAFT PRESS NOTICE

LOCAL AUTHORITY EXPENDITURE IN THE CURRENT FINANCIAL YEAR, 1981/82

Michael Heseltine, Secretary of State for the Environment, today announced the results of the revision of budgets for 1981/82 by local authorities. Speaking today he said: " The majority of local authorities (256) have made significant efforts to reduce their expenditure plans from their original budgets in line with the Government's request in June. But a small number of authorities have ignored the Government's request for economy and have actually increased their expenditure plans by a substantial amount so that overall the total of planned current expenditure remains above the Government's target by some 5.4%.

In the light of these results the Government will be obliged to propose reducing the total of block grant by means of a Supplementary Report to be presented to Parliament in the autumn. Authorities which meet the Government's target for the reduction in the volume of their expenditure or which spend below the typical level represented by the "Grant-Related Expenditure" (GRE) will however be exempted from the effects of this reduction. I am also proposing exemptions in respect of expenditure on the urban programme and certain other types of expenditure. [Copies of a Circular to local authorities announcing these proposals, and of tables exemplifying their effects for individual authorities are attached].

-I am grateful to all those authorities who had made great efforts to secure reductions in their expenditure plans in line with the Government's overall targets. These results are a vindication of the tradition of voluntary co-operation between central and local government to ensure that local government expenditure as a whole remains within what the national economy can afford.

The action of a few authorities which have made enormous increases in their expenditure could however imperil this relationship. I told local government in June that further legislation might be needed next session to bring home to authorities and their electorates the consequences of high-spending policies if the response to the call for revised budgets was unsatisfactory. The increased expenditure now proposed by certain authorities, which flies in the face of the economic realities and the urgent need to reduce the pressure of rates on commerce and industry, makes it very much more likely that such legislative measures would be needed."

3 . MS

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

1 September 1981

Prime Minister.

Mr Whitelaw's approach is similar to the line which you took yesterday and on which the compromise between Mr Heseltine and Mr Brittan was eventually reached.

There is also a letter from Mr Younger below which you should see.

Mike

3.ix.

Dear Michael

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISED BUDGETS

I have now seen a copy of your letter of 14 August to Leon Brittan.

My officials have also been able to study the revised budgets and advise me in the light of the concern I expressed to you in my letter of 8 July just after the Toxteth riot. I am grateful to your Department for making the material available.

I am content that you should proceed in the way you propose, since, although I recognise the concerns expressed by Nigel Lawson, your approach seems to me to give credit to those authorities who have made a genuine attempt to trim back on their expenditure. I also welcome your suggestion of exempting certain categories of expenditure, especially where it is related to the recent problems of the inner cities.

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

Yours ever

Willie

The Rt. Hon. Michael Heseltine, M.P.

PRIME MINISTER

cc. Mr. Rickett

I believe Mr. Heseltine may have had a word with you today about his negotations with Leon Brittan on withholding of grant from local authorities.

Mr. Brittan has argued that a decision to go for a reduced figure requires collective discussion, probably in E. Mr. Heseltine argues that a decision must be reached this week, if it is not to make the situation worse for some Conservative authorities. Some of the authorities are obliged to give notice of any supplementary rate by 9 September: these include some Conservative authorities who will actually be let off the hook under Mr. Heseltine's proposals. If decisions are not announced this week, they will be obliged to give notice of a supplementary rate.

Those who have been participating in the Treasury/DOI discussions are no longer available this evening. As I understand it, the Chief Secretary has accepted the idea of reducing the withholding from £450 million to £360 million - as suggested at the bottom of the first page of Mr. Heseltine's letter below: but Mr. Brittan wants to stick to that £360 million figure, and is not prepared to accept the further full exemption suggested for 48 other authorities at a cost of at least £50 million more (the fifth paragraph on Mr. Heseltine's page 2) unless this figure is recouped elsewhere.

I am sorry that the position is not crystal clear. The total value of the exemptions which Mr. Heseltine now wants to secure may well bring the hold-back down to about £260 million. His office will be letting us have the draft circular first thing tomorrow. It would be helpful to know overnight which of the following possible courses of action you want to adopt:

(i) To give a ruling on the basis of Mr. Heseltine's attached letter and your conversation with him today;

/ (ii)

(ii) To have Mr. Heseltine and Mr. Brittan in tomorrow - possibly one side of your 1630 meeting with Mr. Heseltine about the Chief Executive post at PSA;

(iii) To accept Mr. Brittan's request that the matter should be deferred for collective discussion, thus accepting the additional difficulties this will cause for some of the shire counties.

MP

1 September 1981

With the Compliments

of the

Secretary of State

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

SECRETARY OF STATE FOR SCOTLAND

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Parliament Street
LONDON
SW1P 3AG

28 August 1981

Dear Leon,

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISED BUDGETS (SCOTLAND)

I have seen a copy of Michael Heseltine's letter of 14 August proposing a reduction in the amount of grant to be withheld in 1981-82 from local authorities in England.

As you know, I announced on 4 June that £100 million in rate support grant would be withheld from local authorities in Scotland subject to review in the light of revised budgets. I agree with Michael Heseltine that there is a strong case on general grounds for reducing that figure. In addition we shall have to take into account the prospects of a significant reduction in planned spending by local authorities in Scotland resulting from selective reductions in rate support grant under my new statutory powers, together with the voluntary savings offered in response to my request for revised budgets. My present provisional estimate is that selective grant reductions and voluntary reductions will lead to savings totalling £37m. No authority in Scotland is proposing to increase the level of expenditure planned in the original budget.

I shall need a little more time to assess the position before letting you have a firm proposal on the amount of the revised total reduction in grant. In the meantime you should know that I support Michael Heseltine's general approach. I should like to attend or be represented by Malcolm Rifkind at any meeting which may be convened to discuss his proposals.

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

Yours ever,

George

CONFIDENTIAL

cc A. Duguid
Walters

Copy:
Local
GOVT

MAP

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1 3EB

26 August 1981

Dear Michael.

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISED BUDGETS

I have just seen a copy of your letter of 14 August to Leon Brittan.

I consider that your proposals represent a measured and well-balanced response to local authorities' revised budgets. In particular I welcome of course your agreement that we should give full exemption to those authorities spending below their GRE. It would have been quite wrong to persist with proposals that would in effect have penalised those authorities for the sins of a small number of large high-spending authorities who would certainly not thereby be induced in any way to modify their own expenditure plans.

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

Yours ever

Mark.

MARK CARLISLE

CONFIDENTIAL

CONFIDENTIAL

cc Mr Duguid
Mr Walters

NBPM: yet

MAP 26/VIII

Treasury Chambers, Parliament Street, SW1P 3AG

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

25 August 1981

Dear Mr Heseltine

LOCAL AUTHORITY EXPENDITURE 1981-82: REVISED BUDGETS

Thank you for your letter of 14 August to Leon Brittan, who is on holiday at present.

I have some reservations, set out below, about the overall impact of your package. No doubt Leon will want to discuss the details of your proposed concessions later this month when he returns from holiday. Indeed, perhaps we need to bear in mind the possibility that the matter may have to be reconsidered collectively, since the original decision on holdback of RSG was made by E.

Naturally I appreciate your reasons for wanting to offer concessions to the more tractable or hard pressed authorities. Taken individually, there is a case for most of your proposed adaptations to the grant holdback arrangement on merits but the aggregate cost would be considerable. I understand that, taking into account the £90m of the original grant reduction now lost through redistribution of the overspending, the total grant penalty might be nearly halved. This could appear a complacent response to the arguably disappointing result of the revised budget exercise. I think that we should consider carefully the wider implications of offering the exemptions you suggest, whatever their merits from a purely local Government viewpoint and despite the potential consequences for supplementary rates. In particular, postponement of imposition of the grant cuts to next year, which would only displace the rate increases to next spring, would adversely affect the PSBR this year.

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

Yours sincerely
Mark Felstead (Private Secretary)

NIGEL LAWSON

(Approved by the Financial Secretary and signed in his absence)

cc Mr Wolfson
Mr Duguid
Press.

1.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

Prime Minister

Mr Heseltine now proposes to withhold £310m, against the £450m originally in mind. He recognises that this reduced clawback will still be heavily criticised – 'x' overleaf. The draft circular will come round for detailed clearance shortly. In the meantime, are you content with the broad approach? MP 19/viii

Yes

My ref:

Your ref:

14 August 1981

LOCAL AUTHORITY CURRENT EXPENDITURE 1981-82: REVISED BUDGETS

– on previous page

On 2 June I announced to the Consultative Council on Local Government Finance and to the House of Commons that the Government had decided to ask all local authorities to review their current expenditure plans for 1981-82 and to submit revised budgets by the end of July. I said that if the call for revised budgets did not produce a satisfactory response I proposed to ask Parliament to approve a reduction in rate support grant in 1981-82 of about £450m on local authorities' spending plans as they then stood.

My Department has now received and analysed all but two of the returns from local authorities, and I am writing to let you and other colleagues know how I propose we should now proceed. For reasons which I explain below, we must make a statement about our intentions no later than the first week in September.

Of the 413 local authorities in England, 256 have reduced their budgets in response to our request, producing savings of some £200m at November 1980 prices. Most of these 256 authorities are shire districts, but the shire counties have also responded well, with 27 of the 39 showing reductions. However some authorities have increased their budgets (11 of them Labour controlled, and of these 6 newly under Labour control as a result of this year's local elections). The GLC have increased their budget by £104m, and the West Midlands County Council by £36m (November 1980 prices). The total offset from budget increases is about £190m. These increases would of course have taken place even if we had not called for revised budgets, and would have added to the excess of £800m above the target level for 1981-82 shown by the earlier budget returns of local authorities. The call for revised budgets has produced a gross reduction of about £190m which would not otherwise have taken place. Nevertheless, the net effect of the savings and increases is a reduction of that £800m excess by only about £10m.

The proposals outlined in my statement offered full protection from holdback to authorities who reduced their expenditure to the target level (5.6% below what they spent in 1978-79), and partial protection to those who came within 4% of the target. As a result of the revised budgets, about 75% of all authorities would now qualify for full or partial protection compared with about 54% at the beginning of June. Consequently, the amount of grant withheld would be reduced from about £450m to about £360m.

Thus the real and substantial efforts of a large number of authorities have been offset by the decisions of a small number of large high-spenders.

In the circumstances I am sure that we must proceed with a holdback scheme. To abandon our proposal at this stage would suggest that we were no longer concerned about excessive local authority expenditure, and would expose us to the accusation of having uttered empty threats.

However, I believe that there is a case for modifying the proposals outlined in my statement of 2 June so as to mitigate the withholding of grant for authorities in certain specific circumstances.

When we discussed the subject at E Committee (E(81)18th, Item 2), we agreed that the burden should fall mainly on those authorities which were persisting in planning to spend substantially in excess of their volume targets and their Grant Related Expenditure (GRE). Since then I have received many strong representations, especially from the shire counties, that authorities which are budgetting to spend at or below their GRE should be exempted from holdback, even if they are still over their volume target.

I propose that we should allow this. The effect will be to give full exemption to a further 48 authorities (11 shire counties, 33 shire districts, 3 Metropolitan districts and 1 outer London Borough) which would otherwise be subject to holdback. The total amount of grant withheld will be reduced from about £360m to about 310m. Details are given in the print-out at Annex A (to follow).

I also propose that in measuring expenditure in relation to the volume target we should exclude certain categories of expenditure, broadly those over which local authorities have little or no control, or where central government encourages the expenditure. These categories are listed in Annex B; I would draw attention in particular to expenditure on riots and emergencies, on the urban programme, and on commonwealth immigrants. It may be appropriate to allow exclusion of either expenditure in both the base year (1978-79) and the current year, or in one but not the other, whichever is more favourable to the authority.

I am also considering whether the degree of protection for those within 4% and 2% of their targets should be increased from the present figures of 40% and 75%.

These exemptions, particularly those mentioned in paragraph 10, will do something to help the inner cities. But I must stress that many of the high spending authorities are in the inner cities, and that any scheme which withholds grant from high spenders will therefore be bound to affect these areas in a way which will expose us to criticism. My view, reinforced by what I learned during my recent visit to Merseyside, is that in so far as the inner cities need more public expenditure, it is primarily capital rather than current that is required. Moreover I have yet to see convincing evidence that a reduction of 5.6% over 3 years is beyond the reasonable capacity of local government, particularly in view of the burdens currently falling on the private sector. But our critics will certainly seize on the fact that a holdback scheme, even when modified on the lines I have indicated, will take money away from a number of authorities with social problems.

One way of mitigating the effects of holdback on those authorities which do not qualify for any of the exemptions set out above would be to continue paying grant without abatement this year, while making it clear that abatement would be made in the light of final outturn figures at the Second Supplementary Report stage. I am asking my officials to examine this option. There may be legal difficulties.

As to the timing of an announcement, I am under increasing pressure from local government to give an early indication of our views. There is a risk that if we do not make an announcement by early September, a number of authorities will levy supplementary rates or precepts for the second half of the year as a precaution in case the holdback proposal of 2 June is implemented without amendment. This would be politically undesirable and harmful to our economic strategy.

There are technical and legal issues that need to be clarified before a firm statement can be made. I am therefore asking my officials to prepare a draft circular to local authorities which must be cleared with other Departments and issued on Wednesday 2 September, by when I shall be back from holiday. Meanwhile my Department will tell local authorities, if they ask, that we hope to be able to make an announcement during the first week of September. I hope that you and other colleagues will agree with this way of proceeding.

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

Yours ever

MICHAEL HESELTINE

The Rt Hon Leon Brittan MP

ANNEX B

CATEGORIES OF EXPENDITURE TO BE EXCLUDED IN DETERMINING HOLDBACK OF GRANT

a) Expenditure on riots and emergencies.

b) Expenditure on the urban programme.

c) Expenditure on commonwealth immigrants under section 11 of the Local Government Act 1966.

d) Parish council and land drainage precepts.

e) Contributions to advanced further education pools.

f) Costs of supplementary rate collection.

g) Loan charges on trading services.

Local Govt

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

14 August 1981

Dear Jeremy

LOCAL AUTHORITY CURRENT EXPENDITURE
1981-82: REVISED BUDGETS

Please refer to my Secretary of State's letter to the Chief Secretary of earlier today. I now attach the print-out referred to in paragraph 9 of that letter. It contains an analysis of the returns from all local authorities except Merseyside and Leeds, whose returns have not yet been processed.

I am copying this letter to the Private Secretaries of members of the Cabinet and to Sir Robert Armstrong.

Yours sincerely

Sue Ayrton

MRS SUE AYRTON
Private Secretary

Private Secretary to the
Chief Secretary

13.8.81

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		***************Holdback**************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
AVON	3.4%	5.5%	£8.96ph	£14.89ph	£5.497m	£9.422m	4.7p	8.0p
Bath	-4.2%	-4.2%	£-5.64ph	£-5.65ph	-	-	-	-
Bristol	17.6%	17.6%	£23.68ph	£24.88ph	£1.307m	£1.341m	2.3p	2.3p
Kingswood	15.3%	15.3%	£-4.92ph	£-5.26ph	£.077m	-	1.0p	-
Northavon	12.6%	12.6%	£-3.10ph	£-3.10ph	£.155m	-	1.1p	-
Wansdyke	-	-	£-4.25ph	£-3.40ph	-	-	-	-
Woodspring	-.1%	1.1%	£3.05ph	£3.73ph	-	£.061m	-	.3p
BEDFORDSHIRE	3.8%	3.3%	£33.33ph	£32.19ph	£4.280m	£4.258m	5.4p	5.4p
North Bedfordshire	-3.7%	-5.0%	£5.01ph	£4.45ph	-	-	-	-
Luton	.9%	-.9%	£3.34ph	£2.28ph	£.094m	-	.3p	-
Mid Bedfordshire	-3.5%	-2.1%	£2.51ph	£2.79ph	-	-	-	-
South Bedfordshire	13.2%	-2.0%	£3.53ph	£-.32ph	£.241m	-	1.3p	-
BERKSHIRE	5.9%	7.4%	£-.40ph	£3.35ph	£8.892m	£9.062m	7.6p	7.7p
Bracknell	7.5%	1.5%	£12.55ph	£10.28ph	£.194m	£.046m	1.5p	.4p
Newbury	17.2%	3.2%	£-1.90ph	£-3.33ph	£.191m	-	1.1p	-
Reading	14.8%	15.2%	£22.75ph	£22.75ph	£.563m	£.563m	2.2p	2.2p
Slough	-9.1%	-9.1%	£-.25ph	£-.25ph	-	-	-	-
Windsor and Maidenhead	6.3%	-.4%	£-4.96ph	£-5.98ph	£.229m	-	1.0p	-
Wokingham	-.3%	-.3%	£-1.84ph	£-1.84ph	-	-	-	-
BUCKINGHAMSHIRE	12.6%	8.9%	£16.85ph	£10.84ph	£7.682m	£7.480m	8.5p	8.3p
Aylesbury Vale	-1.2%	-.1%	£1.61ph	£1.91ph	-	-	-	-
South Buckinghamshire	-9.6%	-11.7%	£-8.02ph	£-8.89ph	-	-	-	-
Chiltern	-.5%	-1.6%	£3.88ph	£3.44ph	-	-	-	-
Milton Keynes	7.1%	-1.0%	£21.85ph	£20.22ph	£.364m	-	2.2p	-
Wycombe	-.2%	-.2%	£-1.51ph	£-1.84ph	-	-	-	-
CAMBRIDGESHIRE	9.9%	9.2%	£.77ph	£.18ph	£6.265m	£6.252m	7.9p	7.9p
Cambridge	-2.0%	-1.9%	£-.06ph	£-.06ph	-	-	-	-
East Cambridgeshire	.5%	-1.1%	£.30ph	£.06ph	£.016m	-	.3p	-
Fenland	-2.8%	-2.8%	£-4.18ph	£-4.03ph	-	-	-	-
Huntingdon	-.5%	-.5%	£-2.17ph	£-2.18ph	-	-	-	-
Peterborough	9.9%	9.6%	£23.05ph	£22.43ph	£.409m	£.404m	2.2p	2.2p
South Cambridgeshire	2.5%	-4.2%	£-8.02ph	£-9.50ph	£.076m	-	.5p	-
CHESHIRE	5.3%	6.3%	£16.36ph	£20.17ph	£10.893m	£11.088m	8.5p	8.6p
Chester	21.8%	12.0%	£12.09ph	£10.20ph	£.290m	£.274m	1.7p	1.6p
Congleton	-.1%	-.2%	£8.80ph	£8.81ph	-	-	-	-
Crewe and Nantwich	-3.3%	-3.3%	£6.79ph	£6.79ph	-	-	-	-
Ellesmere Port and Neston	10.7%	10.2%	£7.70ph	£7.70ph	£.242m	£.242m	1.5p	1.5p
Halton	10.7%	3.4%	£12.89ph	£9.68ph	£.276m	£.151m	1.7p	1.0p
Macclesfield	-1.6%	-1.6%	£1.13ph	£1.13ph	-	-	-	-
Vale Royal	.1%	-3.4%	£10.50ph	£9.32ph	£.055m	-	.4p	-
Warrington	-7.0%	-3.3%	£13.50ph	£13.73ph	-	-	-	-

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		***************Holdback***************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
CLEVELAND	5.7%	8.5%	£25.60ph	£39.35ph	£6.317m	£6.743m	8.5p	9.1p
Hartlepool	12.6%	3.9%	£14.65ph	£11.38ph	£.179m	£.099m	1.8p	1.0p
Langbaurgh	14.3%	12.4%	£36.76ph	£35.53ph	£.630m	£.617m	2.9p	2.8p
Middlesbrough	10.7%	3.4%	£32.88ph	£28.73ph	£.449m	£.250m	2.7p	1.5p
Stockton-on-Tees	13.3%	13.3%	£16.95ph	£16.96ph	£.504m	£.504m	1.9p	1.9p
CORNWALL	8.8%	3.8%	£-5.79ph	£-12.35ph	£3.323m	-	7.5p	-
Caradon	8.0%	-	£5.34ph	£3.91ph	£.086m	-	1.4p	-
Carrick	6.3%	-.2%	£4.10ph	£3.81ph	£.113m	-	1.3p	-
Kerrier	-5.1%	-5.6%	£-6.60ph	£-6.90ph	-	-	-	-
North Cornwall	26.6%	21.3%	£1.91ph	£1.84ph	£.083m	£.083m	1.2p	1.2p
Penwith	-1.0%	-1.0%	£3.07ph	£2.94ph	-	-	-	-
Restormel	-2.5%	-2.5%	£-2.26ph	£-2.26ph	-	-	-	-
CUMBRIA	4.1%	5.0%	£7.84ph	£13.52ph	£3.604m	£3.703m	7.8p	8.0p
Allerdale	-15.3%	-20.0%	£7.54ph	£6.48ph	-	-	-	-
Barrow in Furness	4.9%	-.9%	£7.62ph	£7.62ph	£.093m	-	1.5p	-
Carlisle	14.5%	14.2%	£21.18ph	£21.23ph	£.227m	£.228m	2.1p	2.1p
Copeland	-.3%	-.3%	£23.45ph	£22.89ph	-	-	-	-
Eden	-25.0%	1.3%	£-5.51ph	£-5.53ph	-	-	-	-
South Lakeland	-.1%	-.1%	£.58ph	£.57ph	-	-	-	-
DERBYSHIRE	5.1%	3.7%	£8.57ph	£8.57ph	£7.959m	£4.779m	7.9p	4.7p
Amber Valley	-.5%	-.5%	£-3.56ph	£-3.55ph	-	-	-	-
Bolsover	9.4%	2.9%	£7.20ph	£7.19ph	£.084m	£.050m	1.5p	.9p
Chesterfield	11.4%	-11.4%	£20.22ph	£18.41ph	£.234m	-	2.1p	-
Derby	13.4%	-1.9%	£19.26ph	£13.87ph	£.584m	-	2.0p	-
Erewash	-3.1%	-4.0%	£1.70ph	£2.39ph	-	-	-	-
High Peak	-4.0%	-2.7%	£5.99ph	£7.83ph	-	-	-	-
North East Derbyshire	10.5%	.5%	£13.51ph	£12.07ph	£.147m	£.035m	1.7p	.4p
South Derbyshire	-.1%	-	£-4.26ph	£-4.26ph	-	-	-	-
West Derbyshire	6.4%	.6%	£-.76ph	£-2.31ph	£.078m	-	1.1p	-
DEVON	6.8%	2.0%	£-.13ph	£-11.68ph	£8.373m	-	7.7p	-
East Devon	-13.2%	-12.8%	£-1.72ph	£-1.75ph	-	-	-	-
Exeter	-6.1%	-1.6%	£.53ph	£-.41ph	-	-	-	-
North Devon	4.9%	3.9%	£1.94ph	£.79ph	£.096m	£.055m	1.2p	.7p
Plymouth	.6%	-	£-6.43ph	£-6.56ph	£.068m	-	.2p	-
South Hams	-.6%	-.6%	£-7.20ph	£-7.20ph	-	-	-	-
Teignbridge	1.5%	-.1%	£.27ph	£-.59ph	£.030m	-	.3p	-
Mid Devon	-.3%	-.3%	£-.20ph	£-.19ph	-	-	-	-
Torbay	24.4%	20.2%	£5.28ph	£.91ph	£.222m	£.194m	1.4p	1.2p
Torridge	3.2%	1.2%	£1.04ph	£.10ph	£.027m	£.011m	.7p	.3p
West Devon	16.9%	16.9%	£-10.98ph	£-10.99ph	£.028m	-	.8p	-
DORSET	-	-	£8.24ph	£25.16ph	-	-	-	-
Bournemouth	-8.4%	-5.5%	£4.92ph	£4.08ph	-	-	-	-
Christchurch	3.5%	-1.0%	£3.22ph	£1.58ph	£.047m	-	.8p	-
North Dorset	7.3%	-	£-3.92ph	£-5.34ph	£.049m	-	1.0p	-
Poole	-12.3%	-12.3%	£2.27ph	£2.28ph	-	-	-	-
Purbeck	6.0%	-.6%	£-7.31ph	£-9.05ph	£.046m	-	.9p	-
West Dorset	-5.5%	-6.2%	£-12.14ph	£-12.30ph	-	-	-	-
Weymouth and Portland	4.4%	-4.8%	£4.06ph	£4.06ph	£.081m	-	1.3p	-
Wimbourne	2.4%	-.1%	£-7.77ph	£-7.88ph	£.047m	-	.5p	-

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		***************Holdback**************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
DURHAM	6.5%	5.9%	£28.17ph	£27.06ph	£4.715m	£4.696m	8.2p	8.2p
Chester-le-Street	8.4%	3.7%	£17.67ph	£15.85ph	£.082m	£.047m	1.9p	1.1p
Darlington	-.2%	-.2%	£33.51ph	£31.08ph	-	-	-	-
Derwentside	22.1%	20.3%	£32.04ph	£30.20ph	£.218m	£.211m	2.6p	2.5p
Durham	9.3%	1.2%	£29.74ph	£28.35ph	£.184m	£.045m	2.1p	.5p
Easington	3.4%	1.8%	£4.83ph	£4.12ph	£.058m	£.024m	.8p	.3p
Sedgefield	3.5%	3.5%	£24.37ph	£29.81ph	£.121m	£.135m	1.4p	1.5p
Teesdale	5.7%	1.8%	£2.10ph	£1.00ph	£.025m	£.006m	1.2p	.3p
Wear Valley	9.0%	-4.7%	£26.88ph	£26.88ph	£.135m	-	2.4p	-
EAST SUSSEX	.9%	.9%	£10.69ph	£10.69ph	£1.843m	£1.844m	1.9p	1.9p
Brighton	-1.6%	-4.8%	£16.14ph	£13.73ph	-	-	-	-
Eastbourne	7.6%	1.9%	£18.49ph	£16.48ph	£.272m	£.065m	2.1p	.5p
Hastings	-2.9%	-4.5%	£4.95ph	£4.41ph	-	-	-	-
Hove	-.3%	-.1%	£-7.66ph	£-8.92ph	-	-	-	-
Lewes	-2.4%	-2.4%	£4.63ph	£4.18ph	-	-	-	-
Rother	-	-.2%	£.77ph	£1.27ph	-	-	-	-
Wealden	.1%	-6.2%	£2.22ph	£2.27ph	£.042m	-	.3p	-
ESSEX	7.1%	3.8%	£-.49ph	£-9.03ph	£17.104m	-	7.6p	-
Basildon	13.9%	13.1%	£22.63ph	£22.24ph	£.502m	£.498m	2.2p	2.2p
Braintree	9.2%	3.8%	£-1.36ph	£-2.18ph	£.160m	-	1.1p	-
Brentwood	8.0%	-3.9%	£-4.62ph	£-7.05ph	£.125m	-	1.0p	-
Castle Point	-1.9%	-1.9%	£4.45ph	£4.45ph	-	-	-	-
Chelmsford	2.7%	-.1%	£4.17ph	£3.43ph	£.159m	-	.8p	-
Colchester	-1.0%	-.7%	£.36ph	£.47ph	-	-	-	-
Epping Forest	4.7%	-.7%	£3.57ph	£1.32ph	£.243m	-	1.3p	-
Harlow	19.1%	19.1%	£41.45ph	£41.43ph	£.418m	£.418m	3.1p	3.1p
Maldon	.8%	-.5%	£-4.80ph	£-5.10ph	£.017m	-	.2p	-
Rochford	1.5%	-	£-2.65ph	£-3.09ph	£.026m	-	.3p	-
Southend-on-Sea	9.2%	-.3%	£8.00ph	£3.84ph	£.406m	-	1.6p	-
Tendring	-3.4%	-3.4%	£5.27ph	£5.27ph	-	-	-	-
Thurrock	-1.5%	-2.5%	£1.64ph	£1.65ph	-	-	-	-
Uttlesford	2.6%	-	£-9.46ph	£-10.28ph	£.041m	-	.5p	-
GLOUCESTERSHIRE	3.5%	1.9%	£6.20ph	£4.96ph	£2.983m	£1.237m	4.8p	2.0p
Cheltenham	-9.0%	-9.6%	-	£2.21ph	-	-	-	-
Cotswold	-.4%	-.4%	£-5.72ph	£-5.73ph	-	-	-	-
Forest of Dean	4.2%	-.1%	£-10.49ph	£-10.86ph	£.051m	-	.8p	-
Gloucester	-.4%	-.4%	£-8.63ph	£-8.63ph	-	-	-	-
Stroud	-4.1%	-4.1%	£.55ph	£.56ph	-	-	-	-
Tewkesbury	2.9%	-.2%	£-1.05ph	£-1.81ph	£.061m	-	.6p	-
HAMPSHIRE	2.7%	1.3%	£-1.40ph	£1.01ph	£9.261m	£3.907m	4.6p	1.9p
Basingstoke and Deane	-12.7%	-13.3%	£10.62ph	£10.61ph	-	-	-	-
East Hampshire	11.6%	1.4%	£-2.34ph	£-4.54ph	£.119m	-	1.1p	-
Eastleigh	-6.6%	-7.9%	£4.40ph	£4.40ph	-	-	-	-
Fareham	17.8%	-	£10.02ph	£5.47ph	£.180m	-	1.6p	-
Gosport	2.3%	-.7%	£-4.50ph	£-5.33ph	£.056m	-	.6p	-
Hart	22.1%	18.4%	£5.37ph	£4.52ph	£.128m	£.124m	1.4p	1.3p
Havant	-6.9%	-6.9%	£-4.88ph	£-4.88ph	-	-	-	-
New Forest	3.9%	-.8%	£-.39ph	£-.42ph	£.154m	-	.7p	-
Portsmouth	7.1%	-.1%	£6.91ph	£3.14ph	£.612m	-	2.3p	-
Rushmoor	-.4%	-.3%	£11.16ph	£11.16ph	-	-	-	-
Southampton	-2.9%	-2.6%	£8.61ph	£8.64ph	-	-	-	-
Test Valley	2.4%	-	£-.51ph	£-.35ph	£.084m	-	.7p	-
Winchester	-1.0%	-1.0%	£.50ph	£6.64ph	-	-	-	-

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		**************Holdback*************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
HEREFORD AND WORCESTER	7.6%	3.9%	£-4.22ph	£-7.27ph	£6.258m	-	7.7p	-
Bromsgrove	-	-	£-2.11ph	£-.97ph	-	-	-	-
Hereford	14.2%	-.1%	£12.32ph	£10.41ph	£.111m	-	1.7p	-
Leominster	25.0%	11.9%	£-.15ph	£-2.22ph	£.039m	-	1.2p	-
Malvern Hills	.6%	-.4%	£-1.47ph	£-6.17ph	£.026m	-	.3p	-
Redditch	7.2%	1.7%	£18.89ph	£16.16ph	£.188m	£.044m	2.0p	.5p
South Herefordshire	3.9%	-.2%	£-.63ph	£-1.25ph	£.031m	-	.7p	-
Worcester	18.5%	14.9%	£13.17ph	£13.17ph	£.215m	£.216m	1.8p	1.8p
Wychavon	-2.9%	-4.5%	£10.32ph	£9.61ph	-	-	-	-
Wyre Forest	25.6%	25.5%	£22.35ph	£22.40ph	£.273m	£.273m	2.2p	2.2p
HERTFORDSHIRE	3.1%	-	£6.88ph	£.61ph	£7.951m	-	4.8p	-
Broxbourne	18.9%	13.4%	£-2.76ph	£-4.63ph	£.134m	-	1.1p	-
Dacorum	-9.9%	-9.9%	£11.57ph	£11.58ph	-	-	-	-
East Hertfordshire	7.9%	-.1%	£8.97ph	£6.50ph	£.245m	-	1.6p	-
Hertsmere	-2.1%	-2.1%	£15.65ph	£14.40ph	-	-	-	-
North Hertfordshire	-.8%	-.8%	£4.98ph	£4.98ph	-	-	-	-
St Albans	-.4%	-.4%	£2.55ph	£2.93ph	-	-	-	-
Stevenage	1.0%	-.1%	£37.58ph	£36.73ph	£.097m	-	.7p	-
Three Rivers	.1%	-.1%	£10.95ph	£10.87ph	£.052m	-	.4p	-
Watford	8.6%	2.4%	£12.42ph	£9.82ph	£.269m	£.150m	1.7p	1.0p
Welwyn Hatfield	-4.7%	-4.0%	£25.37ph	£25.72ph	-	-	-	-
HUMBERSIDE	5.8%	8.2%	£1.74ph	£13.17ph	£6.973m	£7.363m	7.4p	7.8p
Beverley	13.6%	13.6%	£-.67ph	£-.67ph	£.129m	-	1.1p	-
Boothferry	24.8%	22.9%	£16.62ph	£15.77ph	£.105m	£.103m	1.9p	1.9p
Cleethorpes	2.5%	2.5%	£17.52ph	£17.51ph	£.100m	£.100m	1.2p	1.2p
Glanford	20.9%	13.5%	£21.30ph	£21.33ph	£.156m	£.157m	1.9p	1.9p
Great Grimsby	12.1%	9.2%	£3.88ph	£.17ph	£.147m	£.131m	1.3p	1.2p
Holderness	-1.6%	1.4%	£-.54ph	£.43ph	-	£.014m	-	.3p
Kingston upon Hull	21.9%	21.9%	£19.12ph	£19.12ph	£.565m	£.565m	2.0p	2.0p
North Wolds	3.4%	2.9%	£10.17ph	£10.00ph	£.064m	£.064m	1.0p	1.0p
Scunthorpe	33.1%	28.6%	£25.19ph	£22.53ph	£.248m	£.235m	2.3p	2.2p
ISLE OF WIGHT	9.5%	7.9%	£-1.62ph	£3.64ph	£1.011m	£1.038m	7.8p	8.0p
Medina	6.6%	1.7%	£5.98ph	£4.33ph	£.105m	£.025m	1.4p	.3p
South Wight	.8%	-	£14.38ph	£14.03ph	£.025m	-	.5p	-
KENT	5.2%	1.9%	£-4.14ph	£-9.36ph	£13.735m	-	7.7p	-
Ashford	-2.9%	-2.9%	£-.40ph	£-.39ph	-	-	-	-
Canterbury	12.0%	-.2%	£12.90ph	£8.73ph	£.242m	-	1.7p	-
Dartford	4.1%	1.4%	£18.72ph	£17.61ph	£.204m	£.050m	2.0p	.5p
Dover	.8%	-	£6.96ph	£6.50ph	£.040m	-	.4p	-
Gillingham	20.1%	9.1%	£-15.36ph	£-16.15ph	£.060m	-	.6p	-
Gravesham	-3.6%	-.9%	£3.04ph	£3.34ph	-	-	-	-
Maidstone	-2.2%	-3.5%	£1.54ph	£.92ph	-	-	-	-
Rochester upon Medway	-2.1%	-3.6%	£-5.59ph	£-5.88ph	-	-	-	-
Sevenoaks	-19.9%	-19.9%	£9.71ph	£9.71ph	-	-	-	-
Shepway	-1.2%	-1.2%	£9.84ph	£10.15ph	-	-	-	-
Swale	-15.3%	-15.3%	£-.67ph	£-.68ph	-	-	-	-
Thanet	-4.6%	-5.0%	£11.61ph	£13.70ph	-	-	-	-
Tonbridge and Malling	-1.7%	-.7%	£10.24ph	£10.71ph	-	-	-	-
Tunbridge Wells	4.6%	3.6%	£5.89ph	£5.88ph	£.160m	£.096m	1.4p	.8p

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Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		***************Holdback***************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
LANCASHIRE	5.0%	4.5%	£-.88ph	£2.59ph	£10.097m	£10.276m	7.3p	7.5p
Blackburn	3.7%	3.7%	£25.68ph	£25.68ph	£.186m	£.186m	1.4p	1.4p
Blackpool	2.4%	2.0%	£11.20ph	£10.59ph	£.181m	£.074m	1.0p	.4p
Burnley	13.1%	10.1%	£30.46ph	£28.91ph	£.209m	£.203m	2.6p	2.5p
Chorley	28.0%	26.6%	£.62ph	£.94ph	£.097m	£.098m	1.2p	1.2p
Fylde	-.4%	-.4%	£7.97ph	£7.97ph	-	-	-	-
Hyndburn	16.2%	16.2%	£14.37ph	£14.37ph	£.117m	£.117m	1.8p	1.8p
Lancaster	-3.1%	-2.8%	£13.99ph	£13.69ph	-	-	-	-
Pendle	11.8%	5.7%	£16.98ph	£14.97ph	£.118m	£.112m	1.9p	1.8p
Preston	5.6%	-6.2%	£9.42ph	£8.17ph	£.231m	-	1.6p	-
Ribble Valley	2.1%	1.8%	£6.44ph	£6.33ph	£.043m	£.018m	.9p	.4p
Rossendale	-3.0%	-3.0%	£31.50ph	£31.48ph	-	-	-	-
South Ribble	-.8%	-.8%	£-3.58ph	£-3.58ph	-	-	-	-
West Lancashire	-.2%	-.2%	£.59ph	£.58ph	-	-	-	-
Wyre	3.6%	1.8%	£4.67ph	£4.06ph	£.087m	£.035m	.8p	.3p
LEICESTERSHIRE	2.4%	3.9%	£-8.97ph	£-8.07ph	£4.720m	-	4.3p	-
Blaby	-.8%	-.8%	£-3.75ph	£-3.76ph	-	-	-	-
Charnwood	-2.3%	-2.3%	£-5.56ph	£-5.56ph	-	-	-	-
Harborough	16.0%	9.6%	£-3.80ph	£-3.66ph	£.075m	-	1.0p	-
Hinckley and Bosworth	10.1%	8.2%	£-4.58ph	£-5.02ph	£.105m	-	1.0p	-
Leicester	24.2%	19.0%	£11.89ph	£9.06ph	£.740m	£.681m	1.9p	1.7p
Melton	15.7%	15.7%	£-1.63ph	£-1.63ph	£.057m	-	1.1p	-
North West Leicestershire	11.7%	8.5%	£4.26ph	£3.32ph	£.130m	£.127m	1.3p	1.3p
Oadby and Wigston	7.3%	3.9%	£-4.32ph	£-5.09ph	£.066m	-	1.0p	-
Rutland	16.0%	16.0%	£-2.27ph	£-2.27ph	£.038m	-	1.1p	-
LINCOLNSHIRE	5.4%	2.0%	-	£-5.61ph	£4.476m	-	7.6p	-
Boston	-.2%	-.3%	£-.12ph	£-.23ph	-	-	-	-
East Lindsey	8.4%	2.1%	£-1.52ph	£-2.23ph	£.130m	-	1.1p	-
Lincoln	1.2%	-2.0%	£12.63ph	£13.00ph	£.041m	-	.4p	-
North Kesteven	7.2%	-.4%	£-4.46ph	£-6.03ph	£.073m	-	1.0p	-
South Holland	5.6%	.8%	£-4.91ph	£-5.32ph	£.062m	-	1.0p	-
South Kesteven	-3.8%	-3.8%	£.32ph	£.46ph	-	-	-	-
West Lindsey	19.0%	14.2%	£-.99ph	£-2.16ph	£.083m	-	1.1p	-
NORFOLK	6.0%	-	£-5.13ph	£-11.95ph	£6.336m	-	7.3p	-
Breckland	-3.6%	-3.6%	£-7.64ph	£-7.65ph	-	-	-	-
Broadland	-2.2%	-2.2%	£-2.85ph	£-2.84ph	-	-	-	-
Great Yarmouth	2.5%	-1.9%	£20.22ph	£17.82ph	£.138m	-	1.3p	-
North Norfolk	-.3%	-.4%	£-2.82ph	£-2.87ph	-	-	-	-
Norwich	16.9%	7.6%	£15.92ph	£12.56ph	£.423m	£.388m	1.9p	1.8p
South Norfolk	-	-	£-9.07ph	£-9.09ph	-	-	-	-
West Norfolk	-5.3%	-5.3%	£1.34ph	£-.34ph	-	-	-	-
NORTHAMPTONSHIRE	-	3.4%	£-16.03ph	£-5.13ph	-	-	-	-
Corby	-20.0%	-16.3%	£18.88ph	£18.87ph	-	-	-	-
Daventry	-.1%	-.1%	£3.47ph	£3.44ph	-	-	-	-
East Northamptonshire	-.2%	-2.3%	£-4.00ph	£-4.50ph	-	-	-	-
Kettering	4.7%	3.7%	£-3.43ph	£-3.79ph	£.082m	-	1.0p	-
Northampton	2.0%	-	£3.35ph	£2.58ph	£.206m	-	.8p	-
South Northamptonshire	9.0%	3.9%	£4.77ph	£3.84ph	£.080m	£.047m	1.2p	.7p
Wellingborough	21.0%	12.2%	£.54ph	£-.57ph	£.095m	-	1.2p	-

Comparison of holdback on original and revised budgets
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	Volume overspend		GRE overspend		**************Holdback*************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
NORTHUMBERLAND	2.1%	1.4%	£17.44ph	£17.44ph	£1.548m	£.646m	5.0p	2.1p
Alnwick	-.6%	-.6%	£2.24ph	£2.23ph	-	-	-	-
Berwick-upon-Tweed	-1.9%	-6.9%	£10.94ph	£9.29ph	-	-	-	-
Blyth Valley	3.5%	3.5%	£9.74ph	£9.74ph	£.065m	£.065m	1.0p	1.0p
Castle Morpeth	-.3%	-5.3%	£-.39ph	£-.40ph	-	-	-	-
Tynedale	1.3%	-	£1.91ph	£1.44ph	£.017m	-	.3p	-
Wansbeck	-.2%	-.2%	£31.26ph	£31.26ph	-	-	-	-
NORTH YORKSHIRE	5.1%	3.4%	£5.61ph	£3.50ph	£5.757m	£3.422m	7.9p	4.7p
Craven	2.2%	.6%	£7.13ph	£6.58ph	£.041m	£.017m	.9p	.4p
Hambleton	-3.1%	-3.0%	£-.58ph	£-.58ph	-	-	-	-
Harrogate	45.2%	40.1%	£18.97ph	£17.82ph	£.312m	£.304m	2.0p	2.0p
Richmondshire	4.9%	-.1%	£5.89ph	£5.90ph	£.059m	-	1.4p	-
Ryedale	2.6%	-.1%	£1.89ph	£1.10ph	£.055m	-	.7p	-
Scarborough	-12.0%	-12.0%	£10.06ph	£10.05ph	-	-	-	-
Selby	4.0%	-.8%	£4.16ph	£2.52ph	£.098m	-	.8p	-
York	-.6%	-1.4%	£4.47ph	£4.48ph	-	-	-	-
NOTTINGHAMSHIRE	5.5%	8.3%	£-5.70ph	£10.46ph	£8.615m	£9.319m	7.1p	7.7p
Ashfield	13.1%	5.4%	£4.10ph	£1.86ph	£.132m	£.123m	1.3p	1.2p
Bassetlaw	11.1%	-7.4%	£18.51ph	£15.00ph	£.321m	-	2.0p	-
Broxtowe	3.0%	-1.4%	£-.20ph	£-1.40ph	£.080m	-	.7p	-
Gedling	15.5%	-.3%	£4.62ph	£1.67ph	£.145m	-	1.4p	-
Mansfield	17.4%	5.1%	£4.85ph	£4.85ph	£.129m	£.129m	1.4p	1.4p
Newark	14.8%	-	£4.70ph	£4.71ph	£.145m	-	1.4p	-
Nottingham	5.8%	-.5%	£13.07ph	£10.42ph	£.706m	-	1.8p	-
Rushcliffe	-1.0%	-5.6%	£9.50ph	£9.00ph	-	-	-	-
OXFORDSHIRE	1.9%	1.0%	£12.85ph	£8.46ph	£1.581m	£1.551m	2.0p	2.0p
Cherwell	1.2%	-.2%	£-.91ph	£-.89ph	£.042m	-	.3p	-
Oxford	-5.4%	-5.5%	£-5.64ph	£-5.69ph	-	-	-	-
South Oxfordshire	-3.3%	-3.3%	£-2.19ph	£-2.52ph	-	-	-	-
Vale of White Horse	-4.7%	-4.7%	£-2.51ph	£-1.45ph	-	-	-	-
West Oxfordshire	.9%	.9%	£-2.84ph	£-2.81ph	£.025m	-	.3p	-
SHROPSHIRE	6.4%	3.4%	£-4.52ph	£-10.99ph	£3.236m	-	7.7p	-
Bridgnorth	-.9%	.5%	£1.22ph	£1.36ph	-	£.017m	-	.3p
North Shropshire	-3.0%	-3.2%	£2.37ph	£2.47ph	-	-	-	-
Oswestry	4.5%	-	£11.75ph	£10.52ph	£.035m	-	1.2p	-
Shrewsbury and Atcham	-2.3%	-2.0%	£1.74ph	£2.15ph	-	-	-	-
South Shropshire	2.9%	-.2%	£5.51ph	£4.46ph	£.026m	-	.8p	-
The Wrekin	13.5%	13.4%	£17.53ph	£18.44ph	£.285m	£.292m	2.0p	2.0p
SOMERSET	3.7%	3.7%	£1.37ph	£1.37ph	£2.309m	£2.311m	4.7p	4.7p
Mendip	.1%	-.1%	£-5.36ph	£-5.48ph	£.023m	-	.2p	-
Sedgemoor	-9.3%	-9.3%	£4.10ph	£4.05ph	-	-	-	-
Taunton Deane	-1.8%	-1.8%	£.02ph	£.02ph	-	-	-	-
West Somerset	10.9%	-	£-16.32ph	£-19.90ph	£.031m	-	.6p	-
Yeovil	1.2%	-.3%	£-.35ph	£-.59ph	£.040m	-	.3p	-

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	Volume overspend		GRE overspend		**************Holdback**************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
STAFFORDSHIRE	3.6%	3.0%	£8.28ph	£7.64ph	£5.879m	£5.866m	4.9p	4.9p
Cannock Chase	26.5%	22.1%	£-2.11ph	£-2.11ph	£.114m	-	1.1p	-
East Staffordshire	4.2%	-3.8%	£3.83ph	£-.29ph	£.163m	-	1.3p	-
Lichfield	1.6%	-.1%	£3.87ph	£3.37ph	£.033m	-	.3p	-
Newcastle-under-Lyme	13.8%	-.7%	£15.16ph	£13.63ph	£.232m	-	1.9p	-
South Staffordshire	11.5%	1.8%	£-.13ph	£-2.37ph	£.131m	-	1.2p	-
Stafford	7.8%	3.9%	£2.47ph	£1.35ph	£.196m	£.114m	1.3p	.7p
Staffordshire Moorlands	20.1%	1.7%	£1.32ph	£-.25ph	£.112m	-	1.2p	-
Stoke-on-Trent	8.2%	-	£6.80ph	£5.82ph	£.446m	-	1.5p	-
Tamworth	-3.7%	-3.7%	£.50ph	£.50ph	-	-	-	-
SUFFOLK	5.1%	3.4%	£8.59ph	£2.52ph	£6.125m	£3.574m	8.2p	4.8p
Babergh	23.1%	1.0%	£4.73ph	£3.06ph	£.118m	£.028m	1.4p	.3p
Forest Heath	-14.5%	-14.2%	£7.76ph	£8.92ph	-	-	-	-
Ipswich	53.7%	47.2%	£16.12ph	£16.11ph	£.343m	£.343m	1.9p	1.9p
Mid Suffolk	11.2%	1.3%	£1.26ph	£-1.56ph	£.093m	-	1.2p	-
St Edmundsbury	-.3%	-.3%	£1.93ph	£1.93ph	-	-	-	-
Suffolk Coastal	8.0%	-.1%	£.11ph	£-1.75ph	£.152m	-	1.2p	-
Waveney	7.7%	3.0%	£.66ph	£-1.00ph	£.130m	-	1.2p	-
SURREY	2.7%	1.9%	£4.97ph	£4.67ph	£7.568m	£3.151m	4.5p	1.9p
Elmbridge	-5.8%	-5.8%	£.74ph	£.74ph	-	-	-	-
Epsom and Ewell	-3.6%	-3.6%	£.24ph	£.24ph	-	-	-	-
Guildford	2.7%	-.2%	£-3.14ph	£-3.98ph	£.136m	-	.6p	-
Mole Valley	-5.1%	-5.8%	£.08ph	£.07ph	-	-	-	-
Reigate and Banstead	-5.1%	-8.1%	£3.26ph	£2.73ph	-	-	-	-
Runnymede	-.9%	-.9%	£-5.78ph	£-5.77ph	-	-	-	-
Spelthorne	-10.5%	-11.4%	£-4.60ph	£-3.74ph	-	-	-	-
Surrey Heath	4.5%	1.9%	£4.71ph	£3.88ph	£.167m	£.041m	1.4p	.3p
Tandridge	1.3%	-	£-.89ph	£-1.25ph	£.028m	-	.3p	-
Waverley	-3.5%	-3.5%	£2.85ph	£2.85ph	-	-	-	-
Woking	-.3%	-.3%	£-7.04ph	£-7.03ph	-	-	-	-
WARWICKSHIRE	6.2%	-	£.50ph	£-13.01ph	£5.116m	-	7.9p	-
North Warwickshire	15.3%	2.0%	£10.49ph	£5.65ph	£.132m	£.028m	1.6p	.4p
Nuneaton and Bedworth	11.2%	11.4%	£22.06ph	£21.79ph	£.283m	£.281m	2.2p	2.2p
Rugby	-1.3%	-1.3%	£4.08ph	£4.11ph	-	-	-	-
Stratford on Avon	-1.9%	-.9%	£16.90ph	£16.56ph	-	-	-	-
Warwick	10.7%	3.7%	£-.17ph	£-2.01ph	£.208m	-	1.2p	-
WEST SUSSEX	6.4%	4.0%	£-3.13ph	£-12.36ph	£7.243m	-	7.7p	-
Adur	12.6%	7.4%	£20.15ph	£17.54ph	£.171m	£.161m	2.1p	2.0p
Arun	-.3%	-.3%	£-1.86ph	£-1.86ph	-	-	-	-
Chichester	-.8%	-.2%	£-2.69ph	£-2.69ph	-	-	-	-
Crawley	37.8%	33.3%	£36.46ph	£34.76ph	-	-	-	-
Horsham	.1%	-	£-3.34ph	£-3.37ph	£.034m	-	.3p	-
Mid Sussex	3.0%	-	£2.00ph	£1.22ph	£.117m	-	.8p	-
Worthing	.8%	-1.4%	£10.53ph	£8.31ph	£.057m	-	.4p	-
WILTSHIRE	4.2%	3.1%	£-6.36ph	£-9.39ph	£4.366m	-	7.6p	-
Kennet	-.3%	-.3%	£4.67ph	£4.66ph	-	-	-	-
North Wiltshire	7.0%	3.2%	£-3.61ph	£-4.45ph	£.105m	-	1.0p	-
Salisbury	-2.7%	-2.5%	£-2.87ph	£-2.86ph	-	-	-	-
Thamesdown	-2.2%	-2.2%	£34.85ph	£34.41ph	-	-	-	-
West Wiltshire	19.0%	19.0%	£-10.61ph	£-8.95ph	£.081m	-	.8p	-

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		**************Holdback**************				
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	
METROPOLITAN AUTHORITIES									
GREATER MANCHESTER	9.9%	9.5%	£15.62ph	£15.30ph	£7.459m	£7.414m	2.3p	2.3p	
Bolton	9.0%	4.0%	£12.78ph	£1.94ph	£2.039m	£1.160m	7.5p	4.3p	
Bury	10.1%	5.2%	£32.18ph	£20.51ph	£1.595m	£1.509m	8.5p	8.1p	
Manchester	8.1%	5.5%	£133.17ph	£131.47ph	£8.602m	£8.554m	11.9p	11.8p	
Oldham	3.8%	3.1%	£-4.69ph	£-8.85ph	£.962m	-	4.3p	-	
Rochdale	11.5%	12.3%	£52.88ph	£52.89ph	£1.860m	£1.861m	9.1p	9.1p	
Salford	.3%	-	£27.56ph	£27.56ph	£.517m	-	1.7p	-	
Stockport	5.6%	3.7%	£-.72ph	£-1.68ph	£2.754m	-	7.3p	-	
Tameside	4.6%	1.9%	£20.15ph	£19.08ph	£1.724m	£.429m	8.1p	2.0p	
Trafford	.1%	-	£-13.25ph	£-13.42ph	£.646m	-	1.7p	-	
Wigan	6.5%	3.9%	£24.83ph	£16.73ph	£2.523m	£1.458m	8.3p	4.8p	
MERSEYSIDE	12.5%	12.5%	£15.73ph	£15.73ph	£4.502m	£4.504m	2.3p	2.3p	*
Knowsley	4.9%	4.9%	£5.70ph	£5.70ph	£1.628m	£1.630m	7.6p	7.6p	
Liverpool	9.1%	10.3%	£39.59ph	£40.92ph	£5.538m	£5.581m	8.0p	8.1p	
St Helens	2.9%	1.8%	£30.66ph	£27.39ph	£1.170m	£.480m	5.2p	2.2p	
Sefton	1.1%	-	£-26.29ph	£-27.18ph	£.568m	-	1.6p	-	
Wirral	.9%	-.1%	£1.45ph	£1.34ph	£.770m	-	1.9p	-	
SOUTH YORKSHIRE	17.8%	17.8%	£49.11ph	£49.11ph	£5.100m	£5.101m	3.8p	3.8p	
Barnsley	4.7%	3.8%	£36.76ph	£35.69ph	£1.614m	£.963m	8.6p	5.2p	
Doncaster	-.4%	-.4%	£51.50ph	£51.50ph	-	-	-	-	
Rotherham	-.2%	-.2%	£28.82ph	£28.82ph	-	-	-	-	
Sheffield	10.6%	10.1%	£85.55ph	£77.86ph	£7.046m	£6.818m	10.8p	10.5p	
TYNE AND WEAR	9.9%	9.9%	£33.07ph	£33.07ph	£3.944m	£3.945m	3.2p	3.2p	
Gateshead	6.9%	3.9%	£29.72ph	£30.90ph	£1.755m	£1.060m	8.3p	5.0p	
Newcastle upon Tyne	6.6%	2.0%	£112.83ph	£102.69ph	£4.912m	£1.181m	12.0p	2.9p	
North Tyneside	1.5%	-	£52.80ph	£48.65ph	£.468m	-	2.3p	-	
South Tyneside	3.3%	1.7%	£50.81ph	£46.35ph	£.770m	£.314m	5.0p	2.0p	
Sunderland	9.4%	9.4%	£42.30ph	£42.68ph	£2.261m	£2.267m	8.5p	8.6p	
WEST MIDLANDS	9.9%	28.1%	£6.61ph	£21.92ph	£7.700m	£10.641m	1.9p	2.6p	
Birmingham	4.2%	3.9%	£15.54ph	£14.59ph	£11.998m	£7.172m	7.5p	4.5p	
Coventry	6.3%	6.2%	£10.55ph	£12.03ph	£3.360m	£3.387m	7.8p	7.8p	
Dudley	9.6%	8.9%	£-9.64ph	£-12.46ph	£2.928m	-	7.0p	-	
Sandwell	9.4%	9.4%	£28.71ph	£28.69ph	£4.185m	£4.188m	8.5p	8.5p	
Solihull	-1.0%	-1.0%	£-11.85ph	£-11.86ph	-	-	-	-	
Walsall	20.0%	19.2%	£42.66ph	£38.51ph	£3.501m	£3.427m	9.1p	8.9p	
Wolverhampton	14.3%	14.3%	£44.16ph	£44.16ph	£3.614m	£3.616m	8.8p	8.8p	
WEST YORKSHIRE	13.3%	13.3%	£12.85ph	£12.85ph	£4.562m	£4.565m	2.2p	2.2p	
Bradford	.4%	-	£15.83ph	£14.65ph	£.794m	-	1.9p	-	
Calderdale	.6%	.6%	£30.00ph	£30.04ph	£.315m	£.316m	2.0p	2.0p	
Kirklees	12.6%	10.8%	£12.90ph	£12.90ph	£2.488m	£2.490m	7.9p	7.9p	
Leeds	7.6%	7.6%	£8.05ph	£8.05ph	£6.253m	£6.258m	7.4p	7.4p	*
Wakefield	-	-	£27.69ph	£27.69ph	-	-	-	-	

* Revised budgets not available; calculations based on original budgets.

Comparison of holdback on original and revised budgets
with GRE exemption on revised budgets

	Volume overspend		GRE overspend		***************Holdback**************			
	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget	Original budget	Revised budget
LONDON AUTHORITIES								
City of London	34.6%	33.5%	£8,942.67ph	£8,840.59ph	-	-	-	-
Camden	24.2%	19.2%	£231.99ph	£220.20ph	-	-	-	-
Greenwich	9.9%	9.9%	£93.22ph	£93.21ph	£1.591m	£1.592m	5.0p	5.0p
Hackney	5.7%	4.9%	£98.35ph	£98.44ph	£1.991m	£1.993m	5.7p	5.7p
Hammersmith and Fulham	1.1%	-.4%	£69.58ph	£66.77ph	£.402m	-	1.2p	-
Islington	6.0%	3.5%	£125.85ph	£126.91ph	£3.331m	£2.040m	6.7p	4.1p
Kensington and Chelsea	-4.3%	-3.4%	£17.40ph	£17.40ph	-	-	-	-
Lambeth	8.4%	8.4%	£117.20ph	£117.20ph	£3.660m	£3.661m	6.4p	6.4p
Lewisham	8.3%	8.3%	£128.03ph	£127.58ph	£2.154m	£2.150m	6.5p	6.5p
Southwark	-.1%	-.1%	£131.88ph	£131.88ph	-	-	-	-
Tower Hamlets	15.4%	8.6%	£190.91ph	£170.80ph	£2.725m	£2.512m	6.3p	5.8p
Wandsworth	-14.0%	-11.7%	£24.92ph	£24.23ph	-	-	-	-
Westminster	.1%	-	£47.35ph	£37.67ph	-	-	-	-
Barking and Dagenham	3.4%	-	£96.81ph	£80.75ph	£1.457m	-	5.5p	-
Barnet	-2.7%	-2.7%	£2.35ph	£2.35ph	-	-	-	-
Bexley	-.1%	-.1%	£41.49ph	£43.46ph	-	-	-	-
Brent	7.6%	7.6%	£87.53ph	£87.53ph	£4.943m	£4.946m	9.8p	9.8p
Bromley	-.5%	-.8%	£9.83ph	£9.82ph	-	-	-	-
Croydon	-	-.6%	£10.86ph	£9.30ph	-	-	-	-
Ealing	-.1%	-1.5%	£25.05ph	£17.44ph	-	-	-	-
Enfield	5.2%	-.3%	£28.16ph	£25.05ph	£3.445m	-	7.3p	-
Haringey	4.5%	4.0%	£130.40ph	£128.84ph	£3.912m	£2.335m	11.4p	6.8p
Harrow	4.4%	-	£46.84ph	£37.18ph	£2.725m	-	8.1p	-
Havering	-.1%	-.1%	£35.37ph	£34.81ph	-	-	-	-
Hillingdon	-1.7%	-4.0%	£54.46ph	£50.66ph	-	-	-	-
Hounslow	9.9%	8.6%	£82.35ph	£67.45ph	£4.280m	£3.999m	9.0p	8.4p
Kingston-upon-Thames	-4.1%	-4.1%	£26.98ph	£26.99ph	-	-	-	-
Merton	-4.3%	-5.4%	£27.03ph	£27.25ph	-	-	-	-
Newham	10.9%	10.1%	£100.14ph	£93.32ph	£3.653m	£3.552m	10.4p	10.1p
Redbridge	4.2%	-	£8.74ph	£2.49ph	£2.344m	-	6.6p	-
Richmond-upon-Thames	-.1%	-.1%	£27.58ph	£27.58ph	-	-	-	-
Sutton	3.9%	1.9%	£2.19ph	£-2.61ph	£1.067m	-	3.9p	-
Waltham Forest	9.9%	12.0%	£106.37ph	£103.17ph	£3.299m	£3.259m	10.6p	10.5p
Inner London Education Authority	6.0%	6.3%	£92.98ph	£94.43ph	£4.845m	£5.577m	.4p	.5p
Greater London Council	1.5%	30.1%	£7.20ph	£24.26ph	£5.607m	£34.955m	.3p	1.8p

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DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref: K/PSO/34135/81

12th August 1981

Dear Mark

Thank you for your letter of 30 July offering some suggested changes to section 7 and Annex B of the skeleton green paper on alternatives to domestic rates that was attached to my minute of 27 July to the Prime Minister.

I understand that your officials will be offering mine drafts of section 7 and Annex B of the green paper along the lines set out in your letter. I am sure that colleagues will want to consider those sections carefully along with the rest of the green paper when we have collective discussions on a draft in September.

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

Yours

Tom

TOM KING

The Rt Hon Mark Carlisle QC MP

cc A Duguid
A Walters
J Vereker

Prime Minister
Local Govt.

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Minister of State
Norman Tebbit MP

The Rt Hom Tom King MP
Department of the Environment
2 Marsham Street
London
SW1P 3EB

12.

10 August 1981 11/8

D Tom,

RATING - LONG TERM STRATEGY

You will by now have seen my letter of 31 July which discussed the possibility that a payroll tax might, in the long term, replace non-domestic rates. I am now writing, in the absence of Keith Joseph, with my formal response to your outline green paper on domestic rates.

I am broadly content with the green paper, and the work programme, and I agree that it is not at present necessary for us to meet to discuss them. But I wish to suggest one further subject for the green paper, and for the associated work.

I am concerned that there is no clear reference to the industrial and commercial effects of the three alternatives to domestic rates. Would the change-over to a local income tax tend to increase wage rates? And would it not have a disincentive effect by widening the area within which a man is better off drawing benefit than earning wages? Local sales tax seems full of problems. It could be held that it would be just as much a tax on business as a tax on the consumer. And what would be the effect on industry if the tax base were confined to manufactured goods, whilst food and many services were exempt, as would happen if the existing VAT base were used?

These are important subjects in addition to the question of compliance costs to which you rightly give some prominence. They must be at least mentioned in the green paper, even if there can be no detailed analysis.

I am copying this letter to all members of E Committee and to Sir Robert Armstrong.

Yours ever
Norman.

NORMAN TEBBIT

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cc A Duguid
J Vereker
A Walters

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 5949 GTN 213
Switchboard 01-213 3000

Minister of State

Rt Hon Tom King MP
Minister of State for Local Government
Department of the Environment
2 Marsham Street
LONDON SW1

R

10 August 1981

11/8

Dear Tom.

In Jim Prior's absence on holiday, I am responding to your minute to the Prime Minister of 27 July.

I am generally content with the outline for a Green Paper, but in the section which will discuss the economic effects, I would like to see employment included. Local taxation systems will have different effects on the total level of employment as well as its distribution between one area and another.

I see no need for a meeting to discuss the outline.

I am copying this to members of E Committee and to Sir Robert Armstrong.

Yours.

Grey

LORD GOWRIE

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10 DOWNING STREET

From the Private Secretary

5 August 1981

RATING - LONG TERM STRATEGY

Your Minister minuted the Prime Minister on 27 July enclosing a draft framework for the proposed Green Paper on alternatives to domestic rating. The Secretary of State for Education has since commented in his letter of 30 July, as have the Chancellor of the Exchequer and the Secretary of State for Social Services in letters of 31 July.

The Prime Minister has now considered these papers, and is content that officials should now prepare a draft for consideration by Ministers in September. She is also content with the proposed work programme which will proceed alongside the drafting, as contained in Annex B of your Minister's minute.

I am sending copies of this letter to the Private Secretaries to the members of E Committee and to David Wright (Cabinet Office).

T. P. LANKESTER

Peter J. Cash, Esq.,
Department of the Environment.

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10 DOWNING STREET

From the Private Secretary 3 August 1981

LOCAL AUTHORITY CURRENT EXPENDITURE 1982/83

The Chief Secretary minuted the Prime Minister on 31 July enclosing a draft statement which he had agreed with the Minister for Local Government and Environmental Services on local authority current expenditure in 1982/83. The Prime Minister has considered the draft, and is content that it should be given to the Consultative Council on 4 August. (You have no doubt seen that there is a typing error in the penultimate line of page 1 of the draft: 1982/83 should read 1981/82.)

I am sending a copy of this letter to the Private Secretaries to Members of the Cabinet, the Minister for Local Government and the Parliamentary Under-Secretaries for Employment and for Transport and to Sir Robert Armstrong.

T. P. LANKESTER

T.F. Matthews, Esq.,
HM Treasury.

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CHIEF SECRETARY TO THE TREASURY

Prime Minister

The Chief Secretary and Mr King (the Home Secretary was also present) have agreed the attached draft statement, which leaves open the contentious question of whether this year's cash limit squeeze should be carried forward to 1982/83. Content?

PRIME MINISTER

Yes MT

LOCAL AUTHORITY CURRENT EXPENDITURE 1982-83

Following correspondence with the Minister for Local Government and Environmental Services I held a discussion yesterday with the Ministers directly concerned with local authorities to consider what guidance on expenditure next year might be given at the Consultative Council on 4 August.

TL 31/7

2. The meeting came to the conclusion that a statement would be useful. We thought that it should reaffirm our present policies, leaving explicitly open the question of how far we shall carry forward into the 1982-83 plans the squeeze which will have occurred in 1981-82. Such a statement will help guide those sympathetic to our aims over the budget-making season and should therefore improve the prospects of compliance with our plans.

3. I attach the proposed draft of the statement. It is based in essence on one put forward by the Minister for Local Government, who will make it on Tuesday in the absence of the Secretary of State.

4. The Secretaries of State for Wales and for Scotland, do not propose to make comparable statements to their local authorities, but they will draw on this text in answering questions about our plans for next year.

5. You will see that the draft statement repeats the planned reductions in total local authority expenditure in Cmnd 8175 but qualifies them to the extent of the increased education expenditure, which you announced on 27 July, and the agreed allowance for the cost of recruiting police forces up to complements. The overall expenditure plans will therefore require rather smaller expenditure reductions (about 0.7% in 1982-83 and about 0.5% in 1983-84, compared to plans, not including the additional volume squeeze which may be imposed under cash planning). Since these specific increases relate only to police and education authorities, it seems more useful to repeat and confirm the aggregate reductions required of the generality of authorities.

6. Now that we have agreed the terms of the statement for Consultative Council, I do not think we need resume discussion of the Cabinet papers on this point, C(81)38 and 40. I accordingly withdraw mine and assume that the Secretary of State for the Environment will withdraw his. We can discuss the substantive issue of validation of 1981-82 inflation in the context of the public expenditure Survey in the autumn.

7. I am copying this letter to the Secretaries of State for Scotland, Wales, Social Services, Education and the Home Department, the Minister for Local Government and the Parliamentary Under Secretaries for Employment and for Transport, with whom I discussed the statement yesterday. I am also sending copies to the members of the Cabinet who were not at my meeting and to Sir Robert Armstrong.

T. Mattews

for LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]

31 July 1981

LOCAL AUTHORITY EXPENDITURE : ENGLAND
DRAFT STATEMENT BY THE MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES TO CONSULTATIVE COUNCIL, 4 AUGUST

The original budgets of local authorities in England for current expenditure in 1981-82 show that they were budgetting to spend 5.3% above the level provided for in the Government's public expenditure plan. On 2 June the Secretary of State for the Environment asked authorities to revise their budgets by the end of July. He said that if the results were not satisfactory he would have to consider reducing the total of grant in the current year, and that further measures to bring home the consequences of high spending might have to be taken for future years. Some authorities have now submitted their revised budgets, but the returns are not yet complete and it is too soon to take a view on them. The Secretary of State will make a full statement on this in the autumn.

2. Local authorities are now beginning to plan their budgets for 1982-83. It may therefore be helpful to give a preliminary indication of the Government's view of the prospects for local authority expenditure in that year. The most recent Public Expenditure White Paper (Cmnd 8175) set out the Government's present expenditure plans for the years 1981-82 to 1983-84, which envisaged a fall in the volume of total local authority current expenditure of 1% in 1982-83, from the level which the Government had planned for 1981-82 and a further reduction of ½ to 1% in 1983-84. Apart from the additional education provision announced by the Prime Minister on 27 July and allowance for increased police recruitment within authorised establishments, local authorities should plan on the assumption that the present review of public expenditure will not allow for any significant increase in the Government's planned volume of current expenditure by local authorities for 1982-83. This means that, subject to these additions, local authorities as a whole in England should draw up their budgets for 1982-83 at a level which will eliminate the budgeted volume excess for 1981-82 referred to in paragraph 1 above and which will deliver the further 1% volume cut.

3. As announced by the Chancellor in his budget speech, the Government intends that public expenditure planning should be on a cash basis from 1982-83. Cash planning means that we no longer automatically adjust future plans every year to make good any difference between the cash factors assumed in the previous RSG settlement and the actual movement of pay and prices. How far there should be an adjustment for this in the RSG settlement for 1982-83 is accordingly a question to be decided in the autumn.

4. The cash figures are presently being calculated on the underlying assumption that public sector costs on average will be 7% higher in 1982-83 than was assumed for pay and prices in the RSG settlement for 1981-82. This inflation factor will be reviewed in the autumn. I would emphasise that the 7% factor is for pay and prices combined; and on pay, I would reiterate now what the Chancellor said in Birmingham on 26 June: pay settlements must be considerably below the current level.

5. I have given you the best general indication I can at this stage of the scale of cuts which the Government considers necessary from local authorities as a whole. I recognise of course that the reductions required for 1982-83 will not be easy, and it may be necessary later to announce expenditure targets for individual authorities.

6. The Government's expenditure plans will be less difficult to achieve next year to the extent that authorities succeed in reducing their expenditure this year. But they will still require faster manpower reductions than achieved so far, and reductions in other areas of expenditure as well.

Prime Minister

810

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

MBAM

From the
Minister of State
Norman Tebbit MP

The Rt Hon Tom King MP
Minister for Local Government
 and Environmental Services
Department of the Environment
2 Marsham Street
London
SW1P 3EB

TL

31st July 1981

4/8

D Tom,

RATING - LONG TERM STRATEGY

I was encouraged to see from your minute of 27 July to the Prime Minister that you have not rejected the idea of a poll tax. However, I see that payroll tax is listed among the rejected options, and although I most certainly reject it as a substitute for domestic rating I feel it would be worth keeping in mind as an alternative to non-domestic rating.

A poll tax and a payroll tax in harness, with a statutory requirement that they should be levied at the same rate, might offer a way to reduce the risk that domestic reform could lead to a massive transfer of the rate burden to the business sector. It would also act as a natural "leveller" between the local authorities in the residential and the commercial areas.

As Annex B to your minute points out, the education service accounts for about half of local Government expenditure and the problems inherent in the Local Government/Central Government relationship which we discussed in E on Friday would be relieved if local revenues more nearly met local expenditure. The poll tax/payroll tax option (or indeed any other) would become more credible if the costs of the education service could be removed from the rates. I wonder if there is any possibility of the service being run more akin to a series of nationalised industries with EFLs etc set by DES?

I am copying this letter to all members of E Committee and to Sir Robert Armstrong — although I must emphasise that these thoughts are my personal immediate re-actions, and I have not consulted Keith who is in hospital.

Yours

Norman

NORMAN TEBBIT

Local Gov

cjt

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 Tom King MP
Minister of State
Department of the Environment
2 Marsham Street
London S W 1

31 July 1981

Dear Tom,

RATING- LONG TERM STRATEGY

Thank you for copying to me your minute to the Prime Minister of 27 July.

I agree with you that a Ministerial meeting is not needed to discuss the Green Paper outline. I would be content, as you suggest, for officials to fill out the skeleton and produce a full draft for discussion in September. I have no comments on the suggested programme of further work.

Copies of this letter go to members of 'E' Committee and Sir Robert Armstrong.

Yours ever

Patrick

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

31 July 1981

Rt. Hon. Tom King PC MP
Minister for Local Government and
Environmental Services
Department of the Environment
2 Marsham Street
LONDON SW1

R.

Dear Minister,

RATING: LONG-TERM STRATEGY

Thank you for sending me a copy of your minute of 27 July to the Prime Minister.

I agree that we do not need to discuss work on the future of the rating system again at this stage, and that officials should proceed to draft a Green Paper along the lines you suggest and then to get on with the further work set out in your proposed programme. I was pleased to see that the Green Paper will devote a chapter to discussing ways in which the rating system might be modified to fit better to our longer-term objectives for local government. Naturally I appreciate that discussion of the option of limiting rates must be somewhat tentative and generalised in that document, but I hope that the official programme for further work can cover this issue in some depth. In particular, I hope that we can mention in the Green Paper the possibility of combining such a scheme with a poll tax for excess expenditure.

I am copying this letter, like your minute, to the other members of E Committee and to Sir Robert Armstrong.

Yours sincerely,

Richard Pollnier, pp,

GEOFFREY HOWE
(Approved by the Chancellor
and signed in his absence)

CABINET OFFICE
E 0254
30 JUL 1981
FILING INSTRUCTIONS
FILE No.

CONFIDENTIAL

1. MR WRIGHT   2. Sir R.

3. MR LANKESTER

(1) SR – Ms. Send copies of my rating letter to those at x below

(2) Mr Wright – noted and done!

R
5/8

cc Mr Bostock
Mr Moyes

ECONOMIC BUSINESS

This is to let you know where we stand on three pieces of business on the economic side.

2. In a Private Secretary letter of 27 July Mr Buckley said that the Lord President of the Council thought it necessary for E Committee to discuss the recommendations by the Secretary of State for Energy, in two separate letters of 21 July, for increases of substantially more than 7 per cent for the members of Area Electricity Boards and for Board Members of the National Coal Board (NB. the second of these letters was not copied to Sir Robert Armstrong). Since the Secretary of State for Energy's proposals are scattered over several letters, not all which have been copied to the Ministers concerned, I have agreed with his Office that he should consolidate his proposals, in consultation with the Lord President, in a paper which would be ready for discussion by E in September.

3. Second, the Minister of State, Department of the Environment, Mr King, sent the Prime Minister and Members of E Committee on 27 July an outline of a Green Paper for issue in the autumn on the long term alternatives to the domestic rates. He suggests that discussion at this stage is not necessary and that, subject to any comments received, he should authorise officials to provide a full draft for discussion by E in September. From our soundings the other Departments mainly concerned will be content with this and, subject to any points which the Prime Minister herself has, Mr Lankester should be able to record agreement to the proposed procedure. (NB. in addition to Members of E Committee copies of any letter

x should go also to Private Secretaries to the Secretaries of State for Scotland, Wales, Social Services, Education and Science, and Transport).

4. Thirdly, in his minute of 27 July the Secretary of State for Industry has asked the Prime Minister for an urgent discussion of reductions in electricity prices charged to selected industrial customers. I have already suggested to you that this should be discussed by the MISC 56 Group and, in view of the European implications, a Foreign Office Minister.

DJLM.

D J L MOORE

30 July 1981

I agree.

RA

30. vii. 81

cc A Duguid
A Walters
J Vereker

Local Govt

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

Prime Minister

RATING - LONG TERM STRATEGY

I have seen the minute to you from the Minister for Local Government and Environmental Services dated 27 July. I entirely agree with the suggestion we should authorise officials to proceed with the preparation of a draft Green Paper, along the lines suggested, for consideration in September. I see no need for a meeting at this stage to discuss the outline.

I am sending copies of this minute to all members of E Committee, to the Secretary of State for Wales, the Minister for Local Government and Environmental Services and to Sir Robert Armstrong.

G.Y.

SCOTTISH OFFICE
30 JULY 1981

CONFIDENTIAL

PT

CONFIDENTIAL

cc A Duguid
A Walter
J Vereker

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

30 July 1981

Dear Keith,

LOCAL AUTHORITY EXPENDITURE 1982-83

Thank you for sending me a copy of your letter of 22 July to Leon Brittan.

I agree with you and Lionel Robbins that we can make some economies in higher education without impairing its quality. Indeed, we said in Cmnd 8175 that "in all sectors of higher and further education, the plans assume a significant tightening of staffing standards"; the UGC's announcement of the distribution of grant begins to give effect to these plans so far as the universities are concerned; and, in the local authority sector of higher education, the consultation paper that has just issued is a further step towards rationalisation.

But my letter of 21 July to Leon was mainly concerned with local authority expenditure on schools, which accounts for well over half my programme. Of course I agree that quality of education is not the same thing as level of expenditure on education, but as you yourself say a level of expenditure can be reached below which the quality of education will be harmed. The purpose of my letter was to say that in my view we had reached the point where further cuts would clearly result in a decline in standards of educational provision that would destroy the now doubtful credibility of our claim that our plans in Cmnd 8175 enable the quality of education to be maintained.

I am sending copies of this letter to those who had yours.

Yours ever

Mark

MARK CARLISLE

CONFIDENTIAL

PT

CONFIDENTIAL

cc A Duguid
A Walters
J Vereker

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

2 CCs

Tom King Esq MP
Minister for Local Government
and Environmental Services
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

30 July 1981

Dear Tom,

RATING - LONG TERM STRATEGY

I have seen a copy of your minute of 27 July to the Prime Minister.

I am content with the skeleton that you propose, except for the treatment of education in Section 7 of Annex A and in the related Annex B. I suggest:-

"Section 7

Functions of an exchequer grant:-

(a) revenue support .... central government;

(b) option of new block grant for education;

(c) equalisation ....

((a) and (b) are dealt with in Annex B)"

"Annex B - Financing the Education Service

Around .... expenditure. Suggestions that have been made include:-

(a) transferring the cost of the local education service to central government;

(b) transferring only the cost of teachers' salaries.

There is a further possibility:-

(c) introduction of a new block grant for education

[Discuss pros and cons of these in relation both to the objectives of the Green Paper and to issues of central/local government relations.]"

CONFIDENTIAL

A consequential addition will be needed to paragraph 9 of the programme of work.

My officials will be glad to contribute to the work needed to prepare a draft of the Green Paper for us to consider in September.

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

Yours ever

Mark

MARK CARLISLE

Ref: A05354

CONFIDENTIAL

PRIME MINISTER

Controlling Public Transport Subsidies
(E(81) 82)

This is an addendum to the brief dated 28th July.

2. This morning's discussion in Cabinet made me wonder whether, rather than adopt the measures proposed by the Secretary of State for Transport, which could lead the Government into continuing confrontation with the GLC and other local authorities controlled by Left-wing extremists, it would be simpler and more straightforward to take into Government ownership or control all passenger transport undertakings now owned or controlled by the GLC and other metropolitan authorities. It would mean more Civil Servants; but there ought to be more than compensating reductions in staff in local government. And, if one object of the exercise is to make the GLC and the metropolitan authorities appear to be irrelevant, this would contribute to that process.

3. It would seem odd, I know, for this Government to be extending the area of Government ownership, but it would be an immediate response to the situation created by this year's GLC and municipal elections; and could be presented as not excluding (or even facilitating) privatisation - though no doubt this would not be practicable before a General Election.

4. I have not been able, and am not qualified, to explore the legislative implications of this alternative.

RA

Robert Armstrong

30th July, 1981

CONFIDENTIAL

2

MF

PRIME MINISTER

I attach a copy of Mr. King's statement about local government audit in England and Wales.

This did not arouse great interest. Arthur Lewis took the opportunity to demand an investigation into allegations "by Lefties" of corruption in the housing department in Newham. Mr. King dealt easily with most of the questions, but was unable to offer a straight answer to the several members who wanted to know exactly what the new quango would cost, and how many public servants it would employ. These included Peter Emery and Dennis Skinner. Denis Howell, for the Opposition, was particularly grudging about the new arrangements, but the House seemed generally content. For the Liberals, Stephen Ross offered a cautious welcome, but asked why the new arrangements could not cover the Water Authorities.

MAP

MF.

29 July 1981

CONFIDENTIAL

DRAFT STATEMENT draft of 22.7.81

LOCAL GOVERNMENT AUDIT IN ENGLAND AND WALES

1. With permission, Mr Speaker, I wish to make a statement on local government audit in England and Wales. The Public Accounts Committee made a number of recommendations, including some affecting this subject, in their Report on the Role of the Comptroller and Auditor General. The Government have today published a White Paper setting out their response to the Committee's Report as a whole. Since we propose early legislation on local government audit it was throught right to make a separate statement to the House on this.

2. The Government entirely endorse the PAC's conclusion that the present arrangements for local authority audit need to be improved and that greater attention needs to be paid to value for money audit. ~~Moreover,~~ In addition, we do not believe it is right in principle that a public body should appoint its own auditors. We also wish to see the experience of private sector accountants used in substantially greater measure in local government audit.

3. The PAC recommended that the C & AG should assume responsibility for the District Audit Service. The Government have considered this very carefully, but have concluded that such an arrangement would be fundamentally inconsistent with the constitutional position of local authorities. Parliament's proper interest in monies voted as Exchequer grants to local authorities is best pursued through the accountability to Parliament of the Ministers responsible for the payment of those grants.

4. The Government propose to establish a new statutory body to be responsible for the audit of local authorities in England and Wales. Legislation to this end will be introduced at the earliest opportunity. The body, to be called the Audit Commission, would consist partly of people chosen from local government and partly of people with relevant expertise from industry, commerce and the professions, with an independent chairman. The Chairman and members would be appointed by my rt. hon. Friends the Secretaries of State for the Environment and for Wales.

5. The Commission would appoint auditors to the local authorities, either from District Audit or from the private sector. It would take over from my Department responsibility for the District Audit Service. Discussions with the staff about possible transfer arrangements will start now.

6. The Commission would also subsume the functions of the Advisory Committee on Local Government Audit.

7. The Commission would not be responsible for the audit of water authorities, whose auditors would in future be appointed by the relevant Secretary of State, in line with other publicly owned trading organisations.

8. The Commission would have powers to promote or undertake work in the fields of value for money and efficiency. It would thus cover some of the area of work of the Local Authorities Management Services and Computer Committee, and I intend to discuss this with the local authority Associations.

9. The Commission would be self-financing, primarily from audit fees, as the service is now. Some increase in the present scale of fees would be required to accommodate the increased audit effort.

10. A consultation paper setting out the details of this proposal is being issued today.

11. My rt. hon. Friend also intends to use his existing powers under the Local Government Act 1972 to appoint as additional district auditors members of private accountancy firms. These will undertake the audit of the accounts for 1981-82 of a small number of authorities in England, working under the general supervision of the Chief Inspector of Audit. The authorities will be selected to give a variety of types of authority, geographical locations, expenditure patterns and political control. Their names will be announced in due course. The Government believe that, given the difficulties facing local authorities in a period of declining resources, it will be helpful to have some additional audit effort deployed in this way to illuminate the problems; and that the use of private accountants will bring a valuable diversity of experience into this field.

12. Mr Speaker, local government expenditure in England and Wales will be about £22,000 million this year. The need to secure value for money for such a scale of public expenditure is crucial.. The Government wish to secure an audit system for the future which is well equipped to meet this need. We believe that the measures I have announced are the right way to achieve that system.

Local Govt

✓ MAP

CONFIDENTIAL

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

28 July 1981

Dear Nick,

AUDIT COMMISSION: STATEMENT

Further to my letter of 22 July, I now attach the final version of the statement which Mr King will make this afternoon and which Lord Bellwin will repeat in the House of Lords.

Copies go to Mike Pattison at No 10, Murdo Maclean and Michael Pownall.

Yours,

Pete

P J CASH
Private Secretary

Nick Huxtable Esq

STATEMENT 28.7.81

LOCAL GOVERNMENT AUDIT IN ENGLAND AND WALES

1. With permission, Mr Speaker, I wish to make a statement on local government audit in England and Wales. In their Report on the Role of the Comptroller and Auditor General the Public Accounts Committee made recommendations on this subject among others. The Government's response to the Committee's Report as a whole is being published today in a White Paper. Since early legislation on local government audit is proposed it was thought right to make a separate statement to the House on this.

2. The Government entirely endorse the PAC's conclusion that the present arrangements for local authority audit need to be improved and that greater attention needs to be given to value for money work. In addition, we do not believe it is right in principle that a local authority should appoint its own auditors. We also wish to see the experience of private sector accountants used in substantially greater measure in local government audit.

3. The PAC concluded that the C & AG should assume responsibility for the District Audit Service. The Government have considered this very carefully, but have decided that such an arrangement would be fundamentally inconsistent with the constitutional position of local authorities. Parliament's proper interest in monies voted as Exchequer grants to local authorities is best pursued through the accountability to Parliament of the Ministers responsible for the payment of those grants.

4. The Government accordingly propose to introduce early legislation to establish a new Audit Commission which would be responsible for the audit of local authorities in England and Wales. Its members would be appointed by my rt. hon. Friends the Secretaries of State for the Environment and for Wales, partly from local government and partly from people with relevant expertise in industry, commerce and the professions, with an independent chairman.

5. The Commission would appoint auditors to the local authorities, either from District Audit or from the private sector. It would take over from my Department responsibility for the District Audit Service. Discussions with the staff about possible transfer arrangements will start now.

6. The Commission would also subsume the functions of the Advisory Committee on Local Government Audit.

7. The Commission would not be responsible for the audit of water authorities, whose auditors would in future be appointed by the relevant Secretary of State.

8. The Commission would have powers to promote or undertake work on value for money and efficiency. It would thus cover some of the area of work of the Local Authorities Management Services and Computer Committee, and I intend to discuss this with the local authority Associations.

9. The Commission would be self-financing, primarily from audit fees, as the audit service is now. Some increase in the present scale of fees would be required to accommodate the increased audit effort.

10. A consultation paper setting out the details of this proposal is being issued today.

11. My rt. hon. Friend also intends to use his powers under the Local Government Act 1972 to appoint as additional district auditors members of private accountancy firms. We believe that their diverse experience will be helpful to local authorities facing the challenges of a period of declining resources. They will undertake the audit of the accounts for 1981-82 of a small number of authorities in England, working under the general supervision of the Chief Inspector of Audit. The authorities will be selected to give a variety of types of authority, geographical locations, and expenditure patterns. Their names will be announced in due course.

12. Mr Speaker local government expenditure in England and Wales will be about £22,000 million this year. The need to secure value for money for such a scale of public expenditure is crucial. The Government wish to establish an audit system for the future which is well equipped to meet this need. We believe that the measures I have announced are the right way to achieve that system.

CONFIDENTIAL

Ref. A05347

PRIME MINISTER

Controlling Public Transport Subsidies

(E(81) 82)

BACKGROUND

The Secretary of State for Transport invites the Committee to give policy approval to contentious and urgent legislation to stop the GLC and the six English metropolitan authorities from subsidising low fare policies at the expense of the ratepayer and so increasing public expenditure. This proposal will be referred to when Cabinet discusses the 1981-82 legislative programme on Thursday, and I have covered this separately in my brief for Cabinet.

2. Under present arrangements, the GLC and the metropolitan authorities are free to increase subsidies to London Transport (LT) and the Passenger Transport Executives (PTEs) and to finance them from increased rates and, to a certain extent, from borrowing. The GLC intend to reduce fares generally by 25 per cent this October and to introduce a range of concessionary fares, and then to freeze all fares for the time being. Manchester and the Tyne and Wear authority have stopped the service cuts necessary to reduce their deficits and stopped proposed fare increases; West Midlands, Merseyside, West and South Yorkshire have taken similar action and are further pledged to reduce fares. The only Scottish PTE, Strathclyde, is not posing the same problems and, in any event, the Secretary of State for Scotland has more direct powers to deal with any overspending by his authorities. The Secretary of State for Transport estimates that, if these policies are put into effect, the additional public expenditure will be £265 million in 1981-82 and £450 million in 1982-83, with increasing amounts thereafter. This would lead to a heavy additional burden on the ratepayer, including the industrial ratepayer. It would also put additional pressure on the finances of British Rail and of the public and private sector bus operators in competition with LT and the PTEs.

3. Although the Secretary of State for Transport does not say so in his paper, he has further worries about the GLC. A working party is likely to recommend that LT should be turned into a workers' co-operative when Sir Peter Masefield

CONFIDENTIAL

leaves the Board at Christmas. GLC are likely to introduce a 35-hour week from next Easter which would not only increase LT's wage bill but would have knock-on effects on other industries.

4. To deal with this situation, the Secretary of State for Transport proposes legislation to enable him to mount a two-pronged attack. First, he wants powers to impose External Financing Limits on the grants and loans received by LT and PTEs. These EFLs would be set to allow, as now, for some financing of deficits but to prevent them from receiving subsidies to finance the fare reductions to which the GLC and the metropolitan authorities are pledged. Second, he wants enabling powers to appoint and dismiss board members where this appeared expedient. He could, for example, use these powers to get rid of LT board members, appointed under worker co-operative arrangements, and to replace them by the present Board.

5. The Secretary of State for Transport regards it as essential for this legislation to be in place by the beginning of the financial year 1982-83. He believes that otherwise the situation will get rapidly out of hand and that, even if powers were available to him by 1983-84, it would then be too late to deal in full with the deficits which would have mounted up in the meantime. He thinks he needs between 12 and 15 clauses which he would add to his Transport (Financial Provisions) Bill which is already in the programme, moving some of his other legislative measures into his Transport Bill which would be taken in slower time.

6. The Secretary of State for Transport's approach is markedly more severe and more confrontational than the medium-term measures which (subject to further discussion by E in September) the Secretary of State for the Environment will introduce in his Local Government Finance Bill which is likely to be enacted by autumn 1982. The Secretary of State for the Environment is aiming to make local authorities more accountable to the ratepayer by introducing hurdles (such as supplementary rates subject to either referenda or re-election) but he is not seeking directly to impose his will on the local authorities irrespective of the wishes of their ratepayers. The Secretary of State for Transport, on the other hand, is proposing a system whereby Central Government will set EFLs, and take other measures, specifically designed to stop the GLC and metropolitan

authorities carrying out policies for which, in their view, they have a mandate from their electorate. The Committee will need to discuss whether it is defensible for the Government to run, at virtually the same time, these two markedly different approaches to containing local authority expenditure. They will also need to consider the wider implications of the Secretary of State for Transport's approach for the relationships between central and local government.

7. The Committee will also need to examine whether the Secretary of State for Transport's proposals could be made to work in practice. Under his proposals, it would be illegal for LT and the PTEs to receive excessive subsidies from the GLC and the metropolitan authorities. Mr. Livingstone and others could, however, make things very difficult for this policy - they could try to bring staff out on strike, and to instruct staff to refuse to collect higher fares; they could generally try to make life impossible for Board members appointed, over their heads, by the Government. They would no doubt claim virtue in this approach on the grounds that Central Government was denying them the opportunity to put into practice policies which they had been elected to implement. Before endorsing the Secretary of State for Transport's proposals, the Committee will wish to be sure that the Government could see off attempts to defy or frustrate them. The worse outcome of all would be the introduction of contentious and difficult legislation leading to confrontation in which the Government had to back down.

8. The Chancellor of the Duchy of Lancaster, in his letter of 27th July to the Secretary of State for Transport, has argued that because of the existing problems with the legislative programme it would be impracticable to pass a Transport Bill with these additional clauses by next Easter. He proposes instead that the clauses should be added to the Secretary of State for the Environment's Local Government Finance Bill, recognising that this would mean that the powers would not bite until half-way through the 1982-83 financial year at the earliest. The Secretary of State for Transport will resist this for the reasons explained above. If, however, it were accepted that there was no time for his proposals to be in a Bill enacted by Easter, both he and the Secretary of State for the Environment would be likely to agree that his present proposals to deal with the transport problem should be dropped and that the Government should rely on the Secretary of State for the Environment's measures. This is partly because, if the Secretary of State for

Transport's proposals cannot be implemented very quickly, the case for them loses some of its force; but mainly because it would be very difficult to put forward two such sharply differing approaches in the one Bill.

9. If the Secretary of State for Transport's proposals were to be abandoned, there might still be a question of whether, in addition to the interim measures which the Secretary of State for the Environment will be taking, there should be some special measures to deal with the problem of the GLC. If so, this might go wider than transport issues and deal also with the ILEA. You will recall that when E discussed local government finance on 25th June the Home Secretary was asked to discuss with the other Ministers directly concerned the politics of any initiative to dismantle the GLC and the metropolitan authorities; he has not yet had an opportunity to do so.

HANDLING

10. After the Secretary of State for Transport has introduced his paper you might invite the Minister of State, Department of the Environment (Mr. King) to give his reactions and to comment in particular on the implications for relationships between central and local government and for his own Secretary of State's proposals. The Chancellor of the Exchequer will want to comment on the financial and public expenditure implications. In the absence of the Home Secretary, the Chancellor of the Duchy of Lancaster will wish to speak on the problems which will arise for the legislative programme, and to take account of any points made on this in Cabinet's discussion on Thursday; the Lord President of the Council will want to comment on the implications for business in the Lords (see his letter of 27th July to the Home Secretary).

11. Unless Cabinet's discussion of the 1981-82 legislative programme has effectively ruled out the proposal for legislation by Easter 1982, you will wish to cover the following questions in the discussion of the Secretary of State for Transport's proposals:

(i) Are they defensible in principle?

Is the contrast with the Secretary of State for the Environment's approach to constraining local authority expenditure manageable?

(ii) Would they work in practice?

Or would they lead to a confrontation on transport in particular, and perhaps on local authority expenditure more generally, which the Government could be at risk of losing?

If the Committee judges that, in the light of the risks to the ratepayer and to public expenditure, the proposals are acceptable, then it will be for the Secretary of State for Transport to work them out in more detail, and separate consideration will have to be given to the consequences for the 1981-82 legislative programme.

12. If, on the other hand, the Committee decides that they cannot accept the Secretary of State for Transport's proposals and timescale - either because of pressure on the legislative programme or because of overriding objections of principle and/or practicability, the questions seem to be:-

(i) Should the Government rely entirely on the interim measures which the Secretary of State for the Environment will be introducing in his Bill to take effect from 1983-84?

(ii) Should further consideration be given to the possibility of legislating to deal with the problem of LT alone, and perhaps more widely with the powers of the GLC?

(iii) Could anything be done in the meantime to discourage the GLC and the metropolitan authorities from implementing their fares policy in full - for example, by bringing home to the public the full costs of what is proposed?

CONCLUSIONS

13. In the light of the discussion you will wish to record conclusions:

Either

Accepting the proposal in paragraph 15ii. of E(81) 82 for additional transport legislation by Easter 1982 and, if so, inviting The Queen's Speeches and Future Legislation Committee to examine urgently the consequences of this for the legislative programme.

Or

Rejecting the Secretary of State for Transport's proposals and deciding to rely on the Secretary of State for the Environment's measures in his Local Government Finance Bill plus, possibly, further provision to deal with the problems of GLC in particular and any non-statutory measures which the Committee might think worth while to deal with the problem identified by the Secretary of State for Transport.

Either way the Committee might endorse the proposal in paragraph 15iii. of E(81) 82 to retain the Transport Supplementary Grant for the coming year subject to a thorough review of its future beginning this autumn.

RA

ROBERT ARMSTRONG

28th July, 1981

CONFIDENTIAL

PRIME MINISTER

RATING - LONG TERM STRATEGY

I have seen Tom King's minute of 27 July to you and the associated papers.

There is a very great deal of work to be done in a relatively short space of time if we are to keep to the timetable we have set ourselves. I hope that colleagues will therefore agree that the work should proceed as has been proposed. For my part I endorse the general outline suggested for the Green Paper and the programme of further work by officials.

Copies of this go to all members of E Committee and to Sir R Armstrong.

RNE
28 July 1981

1

~~cc~~ Mr Lawson
Mr Walker
Mr Heseltine

Await Tsy comments

TL

Prime Minister

Mr Carlisle has a few minor comments on the draft outline: the Treasury are content. ~~Lawson's yet comments~~. I think we can say that officials should proceed to draft. ~~subject to any points the Chancellor may have~~.

Agree?

Prime Minister

RATING - LONG TERM STRATEGY

When we discussed this at E Committee on 25 June we agreed to have a further meeting to consider the issues involved. As you know, we have announced to the House that a Green Paper will be issued in the autumn. We have now prepared the attached outline of such a paper (Annex A). Officials have largely agreed this skeleton and I understand that no real differences of view about what should be included have emerged. If colleagues would like to discuss the outline at this stage, I would be happy for us to do so, but I wonder if this is really necessary? If you and others agree, I would suggest we authorise officials to fill out the skeleton and provide us with a draft in September on which we could discuss all the points which concern us.

TL 31/7

Agreed MT

At the same time, however, we ought to be clear what work can be done to support and illustrate the Green Paper both before and after issue. A note has been prepared of the work proposed (Annex B) and unless you or other colleagues wish to suggest changes to that programme I suggest work proceeds along these lines.

Copies of this go to all members of E Committee and to Sir Robert Armstrong.

TOM KING

27 July 1981

Second Draft Framework

GREEN PAPER ON ALTERNATIVES TO DOMESTIC RATING

Preface:

Layfield; earlier Green Papers; Manifesto; the recent review. Consultation arrangements and timetable.

Section 1: Introduction and Context

Criticism of domestic rates; the need for change
Present sources of LA revenue; relate to expenditure
Central - local relations in matters of expenditure levels
Importance of "accountability
Problem of tiers and LG structure (touched on)
Fiscal dimensions:

- central government's use of income tax, VAT, etc;
- potential yields
- yield of domestic rates in proportion to these

Economic effects:

- on housing (including the effect on house prices, and on levels of investment in housing as opposed to other consumption or savings; also including public sector housing);
- on poverty trap
- on RPI/TPI

Importance of distribution effects: between households, income groups, regions

LA budgeting (significance of looking for total replacement of domestic rates: ie total dependence of LA on the bouyancy, predictability and especially "lumpiness" of the yield of new tax).

Section 2: Alternative Taxes and Criteria for Assessing them

Eight taxes listed, plus assigned revenues and domestic rates in modified form. Six criteria explained. Five taxes can be rejected, ie:

local duties on petrol, tobacco or alcohol;
local vehicle excise duty;
charges for licences for sale of alcohol or petrol;
local payroll tax;
local development land tax.

These are discussed in Annex A.

Section 3: Local Sales Tax

Rule out VAT in preference to retail sales tax

Two possible models of retail sales tax:

I in conjunction with national VAT system

II separate system run by LAs.

Discuss against each of the six criteria (with emphasis upon model I)

i) Practicability, including:
- European Community position;
- problems of definition of tax base (eg so as to limit impact on business purchases);
- timetable (need for extra computer capacity linked to VAT computers);
- cost of administration.

ii) Perceptibility and accountability (proportion of local electorate affected)

iii) Financial control: predictability, buoyancy, "lumpiness" of its yield

iv) Equity:
cover distribution by households and regions

v) Compatibility with Government's fiscal strategy

vi) Suitability for all tiers of local government.

Section 4: Local Income Tax

Most straightforward course to integrate LIT with existing IT (as proposed by Layfield). Practicable but complicated for all concerned, since National IT not easily adaptable for a local variation. Also, limited range of LIT rates: hence suitable only for major spending authorities.

Wider variation in LIT rates requires -

either prior changes in national tax system with year-end assessment for all

or collection of LIT separately from national IT: in principle could be done either by local authorities on tax information supplied by IR, or with a completely separate LA system. But latter very costly, because it duplicates IR.

Discuss against each of the criteria:

- i) Practicability, cost and time-table (interaction with tax computerisation): refer to each variant
- ii) Perceptibility and accountability (proportion of local electorate affected)
- iii) Financial control
- iv) Equity: cover distribution by households and regions
- v) Compatibility with Government's fiscal strategy
- vi) Suitability for all tiers of local government.

Section 5: Poll Tax

- i) Practicability and cost: cover enforcement problems
- ii) Perceptibility and accountability (whole local electorate affected)
- iii) Financial control
- iv) Equity: cover distribution by household and region
- v) Compatibility with Government's fiscal policy
- vi) Suitability for all tiers of local government.

Section 6: Assigned Revenues

A different approach: fixed share of a national tax or taxes assigned to local government; the distinction from exchequer grant, which is redetermined annually, may be difficult to preserve in practice; needs assessment and distribution system; central-local relations; implications for fiscal management.

Section 7: Exchequer Grant in Support of New Taxes

Functions of an exchequer grant:

- a) revenue support for local government - new options for the level of support grant emerge with potentially high-yielding new taxes; option of transferring part or whole of education service to central government is dealt with in annex B;
- b) equalisation of needs and resources of authorities - continuing requirement whatever the new taxes.

Technical considerations in creating a grant to combine with new taxes (features of tax yield - especially "lumpiness"; combination of grant with more than one local tax).

Section 8 - Domestic Rates in Modified Form

i) Facts and figures of domestic rating at present

ii) To enable other taxes, and reforms, to be compared with a base position, show:

a) administration costs and practicability

b) perceptibility and accountability

c) financial control

d) problem of inequity:

- distribution by household
- regressively (reduced by rebate scheme)

e) suitability for all tiers of local government

iii) Possible reforms or modifications, especially:-

a) making rate poundages (or expenditure) subject to absolute limits imposed by central government, accompanied by provisions to apply in cases of default. Discuss and leave as open question.

b) list possible reforms to modify the distribution of rate burden: eg discounts for households with one adult or one earner, setting rates against income tax; charges in valuation methods. No assessment to be attempted in Green Paper.

Section 9: Non-domestic rates

i) Facts and figures

ii) Protection of non-domestic ratepayer from excessive poundage; options include:

a) central government regulation of poundages, including making non-domestic rates a national tax, with yield distribution to local authorities

b) linking non-domestic poundages in each area with tax rates of new domestic tax

Discuss but leave these as open question.

iii) Wider question of whether there continues to be a case for a local property tax on non-domestic properties.

iv) Recent pressures for rate relief for businesses (de-rating, non-domestic rate relief, mothballing relief, etc)

v) Revaluation

Note that ideas at (iii), (iv) and (v) are for consideration at future dates.

ANNEXES TO GREEN PAPER

Annex A - The Rejected Tax Options

(As in section 3 of earlier report)

Local duties on petrol, tobacco and alcohol

Local vehicle excise duty

Charges for licences for sale of alcohol or petrol

Local payroll tax

Local development land tax

Annex B - Financing the Education Service

Around a half of local government's total current expenditure is on the education service. It follows that new ideas for funding that service might widen the range of options for dealing with the problem of rates, and conversely that rating reform might provide new opportunities for funding education expenditure. Suggestions that are sometimes made include:

- transferring the cost of the local education service to central government
- transferring only the cost of teachers' salaries.

[Discuss pros and cons in relation to the objectives of the Green Paper. Query: leave as open question?]

[Do DES wish to raise further suggestions?]

Annex C - Contingent Problems

Parishes

Water charges

Precepts for other purposes (eg land drainage, police, local conservators).

Section 10: Fees and Charges

Size of fees and charges

Little scope for significant extra yield

Role of charges in marginal adjustments of income (to help mitigate "lumpiness").

Section 11: Combination of taxes

The jigsaw to be fitted together comprises:

- different tiers
- different taxes
- several varianets or models of each tax
- different quantities of grant for combination with taxes
- non-domestic rates

From this can be derived several leading schemes (as in Table 7 on page 61 of earlier report).

Appraisal of schemes against the original criteria (done briefly on pages 62-65 of earlier report).

/Section 12 - Concluding passage 7

ANNEX B

A Proposed Programme of Work

A Report from the interdepartmental official group on alternatives to domestic rates

1. The Secretary of State for the Environment announced on 2 June that the Government would publish a consultation document on alternatives to domestic rates in the autumn. To carry forward the development of Government policy on this topic there are now two parallel and related tasks:-

(i) preparation of an autumn consultation document (possibly a Green Paper);

(ii) further examination of topics that require greater study before decisions can be taken by Ministers early in 1982.

Work on (ii) has been set in hand immediately. Some of it will feed into (i) but the work would continue throughout the period of public consultation following the Green Paper.

Preparation of a Green Paper

2. The Green Paper being prepared will need to show something of the distributional effects of moving to new taxes. The report by officials in June 1980 was, of necessity, very thin on this, and fresh analytic work has now been started. To be complete in time for publication in October, the analysis must be strictly limited. The work now being done will aim to show distributional effects in the following ways:-

(i) A single variant will be illustrated for each of LIT, LST and a poll tax. In each case only the total replacement of domestic rates (together with their rebates) by the new tax will be shown. With a poll tax, however, it may also be possible to show the effects of a poll tax with a yield of a quarter or a fifth of domestic rates (ie in conjunction with other, unspecified, revenue: because the effect of a large poll tax would be very severe for the poor). No combinations of taxes will be illustrated at this stage.

(ii) The options would be illustrated with likely changes in disposable income of a few types of household, showing for each household type some broad bands of income level and of amounts of rates paid. Fuller studies - of the range of the effects for each sub group - are planned to be produced after publication.

(iii) Results would be differentiated between London-and-the-South-East, the rest of England, Wales and Scotland. For these illustrations it will be assumed that in each of England, Wales and Scotland the rate payments for those counties are replaced by an identical yield of the new tax. (This working assumption implies that the average tax rate in each country will be a consequential of the yield and tax base - in which case there may be wide variation between countries in the average rate of tax. However, Ministers will be able to consider the balance of tax yields between countries as a separate issue later.) Within England the incidence of tax is expected to shift between London-and-the-South-East and the rest.

(iv) It will be assumed that the new tax replaces domestic rates yield with no change in the sum of exchequer support grant.

3. The June 1980 report by officials had little evidence of the likely cost to PAYE employers or to traders of operating local income tax (LIT) or local sales tax (LST). It is important that the Green Paper should draw attention to the fact that these costs will exist but no information is available, or can be obtained at this stage, to give estimates. (See Appendix I.)

4. The June 1980 report noted potential difficulties with the European Community if a local sales tax were to be introduced. The main risk is that the Commission might view the introduction of a sales tax as a retrograde step and feel it necessary to take infraction proceedings in the European Court in order to preserve its structure of future indirect tax harmonisation in the Community. The possible legal grounds which the Commission might adduce for such a challenge, and the strength of our defences, are currently under examination. While the existence of the Community dimension must clearly be indicated, it may be desirable not to go into much detail in the Green Paper.

5. It is proposed to provide in the Green Paper only general comments on economic and fiscal aspects such as housing, the poverty trap, the effects on the RPI and TPI, and any detailed analysis of these aspects would be left until after publication.

6. The framework for a Green Paper provides for a section on non-domestic rates in which there would be discussion of options for protecting the non-domestic ratepayer from excessive rate poundages after abolition of domestic rates. Among the options could be that of making non-domestic rates a national tax, in which case there would be both increases and reductions in rate bills as the national standard poundage came into effect. Some preliminary work will be attempted by September on the extent of gains and losses that would be associated with this option.

7. Preliminary estimates will be made of the public sector manpower costs of the different tax options. These must be very rough and ready at this stage.

8. Officials' report of June 1980 identified LIT, LST and a poll tax as practicable options (though with distinctive merits and demerits). The Green Paper will repeat this. It is important to remember however that these have been judged to be practicable on only a preliminary study. Particular practical problems could be seen as much more difficult to surmount on closer study at a later planning stage. Timing constraints may prove critical, for example (see Appendix II). It is essential therefore not to narrow the options further in the Green Paper.

9. Finally, there is a question of what the Green Paper should say about possibilities for changes to the finance of the education service. Officials suggest that the pros and cons be reviewed of transferring the cost of all or part of the education service to central government, leaving it as an open question for consultation. The subject is allocated an annex in the framework for a Green Paper. It has not previously been examined in the review of rating, and officials would report to Ministers on it in September.

Further Development Work

10. Analytic work begun for the Green Paper will continue beyond publication so that further advice can be given at a later date when Ministers wish to take further decisions on the development of policy.

11. For example, it is planned to extend the analysis of changes in tax distribution. Several possibilities are being kept in mind for study in the period September to January and, although decisions on these need not be taken yet, the possibilities include:-

(i) distributional changes with combinations of two new taxes;

(ii) distributional changes if the local tax yield is greatly increased and exchequer support grant reduced;

(iii) exploring possible rebate introductions (as with poll tax) or tax allowance changes.

12. Other economic aspects may also require further consideration after publication of the Green Paper and before a further round of Ministerial discussions in, say, the new year.

For example, there are these issues to consider:-

(a) the extent to which LIT or LST might infringe upon the potential yield of the national taxes; consequent problems for fiscal policy;

(b) how far there would be a continuing need for an exchequer support grant; equalisation of resources of different tax areas;

(c) problems of influencing local decisions on spending and taxation (given greater buoyancy and unpredictability of yield and the greater "lumpiness" with which LIT or LST yield would respond to the minimum possible variations in the local rate of tax); further measures to improve accountability; the extent to which LIT and especially LST would be perceptible to their local electorates;

(d) as an alternative approach, the problems of defining and enforcing absolute limits upon local expenditure or revenue-raising;

(e) repercussions on the housing market, eg whether there are repercussions for (i) assistance to owner occupiers and particularly new entrants to the housing market and (ii) the structure of housing subsidy to the publicly rented sector;

(f) further review of the likely direct and indirect effects of the different options on inflation, as measured by the RPI and TPI.

13. Decisions could be taken around September on the further studies that would be required. The list in paragraph 12 above makes clear the number and importance of topics that are as yet quite inadequately researched and the scale of work that is likely to be found necessary.

IMPLICATIONS FOR EMPLOYERS' COSTS

If LIT is deducted from pay, and not collected direct from the taxpayer, one of the consequences of introducing it will be an increased burden on employers in operating the PAYE system. This will be a factor of some political sensitivity: employers are always very conscious of the fact that they act as unpaid tax-collectors on a large scale in operating PAYE. It is impossible to quantify the likely additional cost to employers with any accuracy, since no reliable data about employers' PAYE costs are available. It has, however, been estimated that employers' costs are at present broadly equal to those of the IR, who currently have some 35,000 staff on PAYE work; and it seems a reasonable working assumption to take the probable additional cost to employers of operating LIT costs as comparable to, but not greater than, those of the IR. But much would depend on the form of local income tax chosen.

The position is rather different with a retail sales tax. The tax would not be a VAT supplement in the way that an LIT would probably be a supplement to national income tax; it would have to be a separate new tax distinct from VAT and different in concept. The degree of complexity of such a tax, and hence compliance costs for businesses, would depend on the extent to which we could align the sales tax structure with the VAT system. Preliminary work and experience with VAT has shown, however, that a local sales tax would undoubtedly involve traders in some heavy additional costs, and would bear disproportionately hardly on smaller businesses.

TIMING CONSTRAINTS

1. There are important timing constraints which affect the introduction of a local income tax or local sales tax and which rule out introduction before the late 1980's or 1990's onwards, depending on the option.

2. The Inland Revenue's programme for computerising PAYE is under way, but the cautious step-by-step approach which Ministers endorsed means that there is no firm date for completion. The provisional planning date is end 1987 or early 1988, but it could be later if problems arise. The major organisational changes that would be required by an LIT linked to the national tax system could not be made until some time after completion of PAYE computerisation. How much later would depend on the form of LIT chosen, but it could not be less than 2 years - after the new system had been given the chance to settle down.

3. Similarly for a centrally administered local sales tax it would be essential to use computers which could handle both VAT and LST. The present VAT computers are due to be replaced by new computers in April 1984. Preparations are well advanced and a sales tax could not be grafted on at this stage. Extra computer capacity would be needed before an LST could be implemented. Together with the necessary modifications to the post-1984 system, this makes it unlikely that implementation of a model I sales tax could take place for at least 5 years.

4. An LIT or LST wholly independent of national income tax or VAT would not be constrained in timing by these computerisation programmes - but even so it is doubtful whether either local tax could be planned, legislated for and set up by local authorities in less than 5 years.

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MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

22 July 1981

Mike
I have taken the draft
MAP 28/vii

Dear Nick,

AUDIT COMMISSION: DRAFT STATEMENT

Further to David Edmonds' letter to you of 16 July, I attach a revised draft of the oral statement which Mr King hopes to make on Tuesday 28 July, the day Treasury are aiming to publish the response to the PAC Report on the role of the C & AG. The statement has been shortened in accordance with Mr Pym's wishes, and reflects as far as possible various points made in response to the earlier version.

I also attach for information a copy of the consultation paper which we propose to issue on the same day.

Copies go to those who received our earlier letter, and I would be grateful for any comments by Friday 24 July. I am also copying this to Michael Pownall, as Lord Bellwin would hope to be able to repeat the statement in the House of Lords.

Yours,

Peter

P J CASH
Private Secretary

Nick Huxtable Esq

22/7/81

PROPOSALS FOR AN AUDIT COMMISSION FOR LOCAL AUTHORITIES IN ENGLAND AND WALES

CONSULTATION PAPER BY THE DEPARTMENT OF THE ENVIRONMENT AND THE WELSH OFFICE

Introduction

1. The Secretary of State for the Environment announced on 28 July 1981 the Government's intention to establish an Audit Commission for Local Authorities in England and Wales, and to introduce legislation to implement the proposal at the earliest opportunity. This paper sets out details of the Government's proposal for consideration by local authority associations, accountancy bodies and others interested.

2. In formulating this proposal the Government have considered the recommendation of the Public Accounts Committee, in their First Special Report for 1980-81, that District Audit should form part of a new national audit office under the Comptroller and Auditor General, who would report to Parliament on general issues arising out of the audit of local authority accounts. In the Government's view this would bring local authorities into a relationship with Parliament which was fundamentally inconsistent with their constitutional position, confusing their line of accountability at a time when the Government's aim is to strengthen their accountability in the direction in which it constitutionally lies, to their electors.

3. But the Government entirely endorse the PAC's conclusion that the present arrangements for local authority audit need to be improved and that greater attention needs to be paid to value for money audit. It is necessary to ensure that the expertise and experience of auditors, in both the public and private sectors, is more fully and effectively brought to bear on the cost effectiveness of the provision of local authority services. The publication of an

annual report by the Chief Inspector of Audit and the establishment of the Advisory Committee on Local Government Audit have done a great deal to promote a wider debate on issues of general importance. But they do not provide the organisational means for developing and expanding audit effort in local government, particularly in the value for money field, and increasing its impact at the local level. To meet this need the Government propose to establish an Audit Commission for Local Authorities in England and Wales.

The Audit Commission

4. The Commission would be similar in many respects to the Commission for Local Authority Accounts in Scotland. It would:

(a) be responsible for securing the audit of local authorities in England and Wales;

(b) promote and undertake more value for money auditing including comparative studies of performance; and

(c) widen the range of expertise used in local government audit work by bringing about a more even balance between private and public sector audit effort.

5. The Advisory Committee on Local Government Audit under the chairmanship of Mr Brian Maynard has done valuable work since it was appointed in 1979. The establishment of a Commission on the broad lines set out in this paper was proposed by the Committee as a logical next step, and the Commission would subsume the functions of the Advisory Committee.

Membership, Structure and Scope of the Commission

6. The Commission would be appointed jointly by the Secretaries of State for the Environment and for Wales after consultation with other Ministers responsible for local authority services and expenditure and with the appropriate organisations. It would have an independent Chairman and from twelve to sixteen members. The

members would be drawn partly from local government and partly from the relevant professions, industry and commerce. The Comptroller and Auditor General could take part in its proceedings, as he does now in those of the Advisory Committee.

7. The Commission would be self-financing mainly from audit fees. It would be responsible for staff of the existing District Audit Service. On the precedent of the Scottish Commission the appointment of the head of the Commission's staff, the Controller of Audit, would be subject to the approval of the Secretaries of State.

8. The Commission would be responsible for the audit of all local authorities in England and Wales. It would also be responsible for the audit of the other bodies listed in the Annex to this paper. The Government propose that Water Authorities in England and Wales should in future be audited by private sector auditors appointed by the Secretary of State for the Environment or for Wales as appropriate.

<u>Appointment of Auditors</u>

9. At present local authorities appoint their own auditors, but the Government believe that it is wrong in principle that a public body should be able to choose its auditors. The Commission would, therefore, appoint the auditor, who could be either a member of the Commission's own staff or a firm of accountants. It would be for the Commission to decide which type of auditor to appoint, and the period of the appointment, after consultation with the local authority concerned. But the Government hope to see a substantial increase in the proportion of private sector auditing so that the work is more evenly shared between the public and private sector.

10. Individual auditors would be independent in the exercise of their statutory duties which would remain broadly as at present. District auditors currently have a wider range of powers than approved auditors, but under the proposed new arrangements the Commission would be able to appoint auditors from the private sector with all or part of the range of powers currently available to the district auditor. In this way the Commission would be able to make the fullest use of the available private and public sector expertise.

11. Because of the way the present statute is drafted only a person, rather than a firm, can be appointed as an approved auditor. The Government think that this is unduly restrictive and that the Commission should have the option of appointing a firm as an auditor. The Commission would, therefore, be empowered to appoint persons or firms as auditors. The Commission would be responsible for maintaining the quality of the audit (as the Chief Inspector is now).

<u>Value for Money Work and the role of LAMSAC</u>

12. Local authority auditing has long been concerned not only with the regularity of accounts, but also with ensuring value for money. One of the main reasons for the establishment of the Commission is to secure a substantial increase in value for money work. The Government see this being achieved at two levels.

13. The auditor's duties in relation to value for money work are set out in the Local Government Audit Code of Practice which was issued by the Department of the Environment in 1973. This work would be given an express statutory basis under the Commission. It would be part of an auditor's duty to examine and report on whether a local authority had established satisfactory procedures for

ensuring economy, efficiency and effectiveness in its use of resources and the carrying out of its policies.

14. The District Audit Service has for many years undertaken comparative investigations of various local authority services. Comparative studies within the audit function have been carried out on such subjects as the operation of incentive bonus schemes and the staffing of polytechnics. This work has been increased recently by employing specialists from firms of consultants and elsewhere. Consultants are also being employed to help to improve procedures for identifying areas meriting audit investigation, and the quality of the regularity audit.

15. This work is proving to be very valuable and demonstrates well how the public and private sectors can use their differing expertise on an integrated basis. It is most important in the Government's view that this kind of work should be expanded, and the Commission would have a statutory duty to promote and undertake value for money studies including comparative studies of performance. The Commission would be enabled to employ appropriate persons or organisations not only as auditors but also as general consultants.

16. The Commission's activities in the value for money field would lead to some duplication with the work being carried out by LAMSAC (the Local Authorities' Management Services and Computer Committee). There would, therefore, be a case for transferring some of LAMSAC's work to the Commission, and the Government will discuss this question with the local authority Associations.

Audit Standards

17. The Commission would take over the Secretary of State's general responsibility for ensuring the standard of audit. This responsibility would be formalised in a requirement that the Commission should specify audit standards, procedures and techniques, including the assessment of the economy, efficiency and cost effectiveness of the expenditure concerned. Auditors would have a duty to comply with the standards which the Commission specified. It is envisaged that the Commission, in drawing up its standards, would either have close regard to, or adopt, the results of the work currently being done in this field under the auspices of CIPFA and the District Auditors' Society. This takes account, where appropriate, of the standards developed by the Auditing Practices Committee for the private sector.

Reporting

18. The Government believe it is essential to bring about a greater public awareness of local government audit at both local and national levels, thereby enhancing the accountability of local authorities. To this end they propose to strengthen the present arrangements for reporting. Under the Local Government Act 1972 an auditor is under a duty to make a report to the local authority if he considers it is in the public interest to do so. This statutory requirement would be retained but, in addition, the auditor would in all cases be required to express an opinion on the published accounts and make a report on the conclusion of the audit. Moreover, the auditor would be required to make a report immediately if he considered that a matter of public concern should be brought urgently to the public attention. The Commission, for its part, would be required to specify

reporting arrangements having regard to the need for auditors to report swiftly on matters where they considered the public interest to be at risk.

19. The Commission would be required to make an annual report upon the discharge of its functions which the Secretaries of State would lay before Parliament. The Commission would also be empowered to make such other reports to local and central government as it saw fit.

Extraordinary Audit

20. The Secretary of State's present power to direct extraordinary audits would be vested in the Commission. It is intended, however, that the Secretary of State for the Environment or the Secretary of State for Wales, as appropriate, should have a power to require the Commission to direct an extraordinary audit in any case where he considered it justified in the public interest.

Requirements for Information

21. The Government would expect the relationship between local authorities and the Commission to be one of confidence, and that local authorities would be willing to cooperate with the Commission in its general studies. But to guard against any difficulties arising it would be necessary to give the Commission a power to obtain information from local authorities which it might need, for example, in the course of a study.

Staff of the Commission

22. The permanent staff of the Commission would not be civil servants. The Commission would take over responsibility for staff transferred from the existing District Audit Service.

The Government expect that a broad balance would be achieved between the public and private sector auditors, and the Commission would be expected to maintain the staff necessary for this objective. There would be a general requirement that conditions for existing District Audit staff should, taken as a whole, not be less favourable than at present. Discussions will be put in hand immediately with the respresentatives of the District Audit Service staff on arrangements for the transfer of staff to the Commission.

Finance and Fees

23. The Commission would be self financing, primarily from audit fees, with additional revenue in respect of specific services performed for Government or other bodies. Since the Commission rather than the local authority would appoint the auditor it would be for the Commission to pay the auditor and collect the fee from the local authority. Fees would generally be determined by the Commission. It is envisaged that there would be some increase in audit fees to cover the cost of the additional audit effort, but the Government consider that any such increase would be fully justified by the savings and increased efficiency that would result.

24. It is also envisaged that there would, as at present, be a single audit fee scale; no distinction would be made in the fee structure between audits undertaken by the Commission's own staff and those undertaken by private auditors. The Secretaries of State would have a power to prescribe audit fees where they considered it necessary to do so. Such a power would be exercised only after consultation with the Commission and the interested organisations and would be exercised by statutory instrument.

25. The Commission would be able to undertake consultancy and other work on a fee basis in the local government field. This would include the undertaking of audits for bodies (other than those listed in the Annex) currently audited by the District Audit Service.

26. The District Audit Service currently certifies Exchequer grant claims by local authorities. It would be administratively convenient if the Commission could continue this independent examination and it would, therefore, be empowered to certify grant claims on a direction by the Secretaries of State.

Powers of the Secretaries of State

27. The powers in relation to the Commission would be exercised jointly by the Secretaries of State for the Environment and for Wales as regards England and Wales as a whole, and separately by the relevant Secretary of State alone as regards matters arising solely in England or solely in Wales.

28. The Secretary of State's responsibilities in relation to audit under Part VIII of the Local Government Act 1972 would be transferred to the Commission except:

(a) the power under section 161 to sanction expenditure which would otherwise be illegal;

(b) the power under section 166 to make regulations with respect to the form and preparation of accounts.

29. On the precedent of the Scottish Commission, the Secretaries of State would have a general power to give the Commission directions as to the discharge of its functions.

Timing

30. It is the Government's intention to introduce the necessary legislation as soon as possible with a view to the Commission's becoming operational early in 1983.

Conclusion

31. The Government would welcome the views of all interested organisations and individuals on the proposals contained in this paper. Comments should be sent to the Department of the Environment or the Welsh Office as appropriate at the addresses below by 15th September 1981.

Department of The Environment
LG4 Division
Room P1/119
2 Marsham Street
London SW1P 3EB

Welsh Office
Finance Services Division
3rd Floor
Cathays Park
Cardiff CF1 3PQ

28th July 1981

ANNEX

BODIES TO BE AUDITED BY THE AUDIT COMMISSION

1. Local authorities: county councils, Greater London Council; district councils; London borough councils; the Common Council of the City of London [1]; parish councils; community councils; parish meetings; charter trustees.

2. The following local authority-related bodies: airport committees; children's regional planning committees; harbour authorities; joint police authorities; licensing planning committees; port health authorities; sea fisheries committees.

3. Other local authority joint committees or boards.

4. Other public bodies presently audited under Part VIII of the Local Government Act 1972 [2].

Notes

(1) Those accounts of the City of London presently audited under Part VIII of the Local Government Act 1972.

(2) Except Water Authorities (see para 8 of consultation paper). The audit arrangements for Passenger Transport Executives are under consideration.

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local gov

DEPARTMENT OF INDUSTRY
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Secretary of State for Industry

22 July 1981

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Whitehall SW1

cc A Duguid

Dear Leon.

LOCAL AUTHORITY EXPENDITURE 1982 - 83

with TPL

I have read Mark Carlisle's letter to you of 21 July in which he opposes your proposals in C(81)38 about the volume squeeze on local authority expenditure.

2 Whilst I appreciate the causes of Mark's concern, I must say that I disagree with the premise on which his argument is based. He seems to assume that quality of education is the same thing as the level of expenditure on education; the higher the level of expenditure the better the quality of education. This is surely not so, though there may be a level below which it would be true. I would argue that we inherited a level of education expenditure which is higher than the country can afford, that those in the education service have been insulated from economic reality and that partly as a result the education service is turning out young people who not only lack many of the skills required for successful employment but who also have no real understanding of the economic facts of life. A cut in expenditure on education would not of itself alter the quality of education; witness for example Lord Robbins' comment in the Financial Times of 21 July about educational institutions where staff/student ratios are below the average but whose products are of high quality.

3 I am sending copies of this letter to the Prime Minister, to Mark Carlisle, the other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Yours ever,

Keith

CONFIDENTIAL

A05301

PRIME MINISTER

Local Authorities' Current Expenditure 1982-83

C(81) 38
C(81) 40

BACKGROUND

The Chief Secretary (C(81) 38) and the Secretary of State for the Environment (C(81) 40) both propose that the local authorities should be given guidance before the summer break about the Government's plans for their current expenditure in 1982-83. They disagree about what should be said, in particular about the extent to which, in translating into cash the volume plans in the last Public Expenditure White Paper (Cmnd 8175) the Government will allow for ("validate") the extent to which increases in the prices and wages paid by local authorities between 1980-81 and 1981-82 have outrun the 1981-82 cash limit factors.

2. The two key elements in the background to this discussion are the continuing battle to restrain local authority expenditure and the introduction of cash planning for the 1981 Public Expenditure Survey (PES).

3. In real terms local authority expenditure in 1981-82 is likely to be 3-4 per cent above the level indicated in the last Public Expenditure White Paper, which shows a further reduction of 1 per cent between 1981-82 and 1982-83. The Secretaries of State for the Environment and Scotland are currently taking steps to try and restrain expenditure this year; the Ministerial Committee on Economic Strategy will be considering in September their proposals for any withholding of grants in 1981-82 and for further possible ways of influencing local authority expenditure in the medium term (capping the industrial rate, supplementary rates subject to referenda/re-election and so on).

4. Previously the Government's plans for local authority current expenditure would have been set in constant price terms and, before the next RSG settlement, expenditure planned for 1982-83 would have been revalued by factors broadly consistent with the actual pay and price increases experienced by local authorities between 1980-81 and 1981-82; revaluation, that is, would have "validated" whatever level of pay and price increases took place.

Under the new cash planning system the Government's plans have been converted to cash by revaluing by predetermined cash factors (6 per cent for pay and 11 per cent for prices between 1980-81 and 1981-82 and, provisionally, 7 per cent between 1981-82 and 1982-83). There is a presumption that, under cash planning, public expenditure plans will not automatically be increased if pay and prices go up by more than the predetermined cash factors allowed for. In other words the new system carries forward any cash squeeze in a current year unless there is a specific decision to mitigate or remove this effect by admitting an additional bid for more cash.

5. The Chief Secretary proposes that the local authorities should be told that the Government will not take final decisions on cash programmes before the autumn, when the inflation factors for 1982-83 will be reviewed and programmes as a whole considered further. Meanwhile, local authorities should work on the assumption that the cash total for current expenditure in 1982-83 which will be included in the Government's plans and used in the RSG settlement will be derived by revaluing the White Paper figures to 81-82 prices using the 11 per cent and 6 per cent cash limit factors agreed for this year's RSG and cash limits; and then revalued forward to 1982-83 using the 7 per cent factor provisionally adopted and used in this year's PES discussions with local authorities. Since local authority pay and prices are likely to increase between 1980-81 and 1981-82 by 2-3 per cent more than the cash limit factors this would mean that, to meet the Government's targets for 1982-83, local authorities would have to reduce the volume of their spending by another 2-3 per cent on top of the volume reductions referred to in paragraph 3 above. In total the Chief Secretary's proposals, therefore, imply a volume reduction of about 7 per cent between actual local authority expenditure this year and the Government's plans for next year - or constant expenditure in cash terms. The Chief Secretary suggests that any bids to modify the effects of his proposal should be considered in the autumn together with other public expenditure bids; in other words, he would be prepared to consider adding something back at that stage.

6. The Secretary of State for the Environment argues that even those local authorities which have previously done all the Government have asked to restrain expenditure would regard as unrealistic cuts of the scale implied by the Chief Secretary's paper. He suggests that a statement on the lines proposed by the Chief Secretary might be counterproductive; and that the Government should set its sights no higher than achieving the 4 per cent volume saving already set out in Cmnd 8175, with the cash totals for planned public expenditure increased fully to allow for pay and price increases which have already occurred. He proposes that he should tell the local authorities that they should plan in 1982-83 for the volume of expenditure set out in Cmnd 8175 expenditure White Paper and give as good guidance as possible at this stage about future increases in pay and prices.

HANDLING

7. After the Chief Secretary and the Secretary of State for the Environment have introduced their papers you will wish to invite comments from the other Ministers with responsibilities for local authority expenditure: the Secretaries of State for Scotland, Wales, Education, Social Services and Transport and the Home Secretary. Most of them are likely to support the Secretary of State for the Environment's proposal.

8. If it is accepted that some guidance must be given before the Recess there are three options for discussion -

(i) The Chief Secretary's proposal. Would this course be counter-productive and impede the Government's attempts to hold down local authority expenditure? It would lead to a less generous RSG settlement: would that increase the pressure on local authorities to hold down expenditure, or would they simply raise rates still higher?

(ii) The Secretary of State for the Environment's proposal. You will want to explore further Treasury Ministers' objections to this course. What is their answer to the Secretary of State for the Environment's suggestion (paragraph 5 of C(81) 40) that full validation could be accepted in the transitional year to cash planning and that imposing steep volume reductions as part of the move to cash planning would discredit the new system?

(iii) A compromise statement. The most defensible compromise, possible for this year only, might be to validate pay but not price increases, on the argument that local authorities have little control over prices but that the authorities themselves have said that they can find savings to accommodate pay increases in excess of the cash limit factors and can be held to that statement. (Pay accounts for about 2 per cent of the cash limits squeeze on local authorities this year, prices about 1 per cent). Treasury Ministers are likely to argue that less than full validation is unrealistic.

CONCLUSIONS

9. In the light of the discussion you will want to record conclusions on which of the three possibilities should be pursued.

10. If the Cabinet reaches agreement the Secretary of State for the Environment will wish to make a statement at the Consultative Council on Local Government Finance on 4 August. It will be for him to agree its terms with the other Ministers concerned. It would probably be appropriate for the Secretaries of State for Wales and Scotland to make similar statements: they could be asked to co-ordinate arrangements with the Secretary of State for the Environment.

11. If the view is taken that something must be said to local authorities before the summer break but agreement cannot be reached tomorrow you could invite the Secretary of State for the Environment in consultation with the Chief Secretary and the other Ministers concerned to agree on a formulation and, in the event of disagreement, to report back to Cabinet on 30 July.

RtA

ROBERT ARMSTRONG

22 July 1981

PT

CONFIDENTIAL

BF-J
Cabinet Thurs 23/7

DEPARTMENT OF EDUCATION AND SCIENCE

Cab. Fl

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1P 3HE

21 July 1981

Dear Leon.

LOCAL AUTHORITY EXPENDITURE 1982-83

As the Minister responsible for much the largest local authority service in England, I was on the point of circulating a paper on this subject, in reply to your proposals in C(81)38, when I saw Michael Heseltine's paper C(81)40.

All that I need say now is that I entirely agree with him that it would be wrong to carry through into 1982-83 the volume squeeze of up to 3 per cent in 1981-82 resulting from higher costs than we originally predicted. The effect of this on the education service would be to require a cut of at least 7 per cent in real terms from the likely level of spending this year. This would be in my view impossible to achieve; and if it were achieved, the result would be a decline in standards of educational provision that would destroy the now doubtful credibility of our claim that our plans in Cmnd 8175 enable the quality of education to be maintained. The political consequences of being seen to be advocating such further cuts would I believe be disastrous.

I am sending copies of this letter to the Prime Minister, the other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Yours ever

Mark.

MARK CARLISLE

CONFIDENTIAL

Seen by the Prime Minister

Prime Minister

To note: the Chancellor may want to discuss this with you.

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

PRIME MINISTER

(Final draft of Mr. Brittan's paper for Cabinet is attached.).

17/7

CABINET ON 23 JULY: LOCAL AUTHORITY CURRENT EXPENDITURE 1982-83

With my minute of 15 July, in addition to the draft of my own main paper I sent you a draft of the Chief Secretary's paper about Local Authorities Current Expenditure in 1982-83. We looked at it together in the police pay context earlier today.

2. This will come before Cabinet on 23 July. I understand that there is likely to be some opposition from some of the Ministers concerned with local authorities expenditure. In the light of indications of their views, the Chief Secretary and I have modified our proposal to a certain degree, as in the revised draft paper annexed to this minute. But we still expect opposition.

3. The difficulty centres round the formula for revaluing the volume programmes in the last White Paper. As explained in the paper, in accordance with the agreed and intended principles of cash planning, both here and for revaluing programmes generally, the Treasury will apply the agreed inflation factor for next year over this (at present 7 per cent) to the intended cash provision for the current year, that is, the old White Paper figures at 1979 prices revalued by the agreed cash factors for this year over last (6 per cent for pay, 11 per cent for non pay). Previously the volume figures would have been revalued to the prices of the current year by the full amount of any actual price change. The new system thus carries forward any cash squeeze in the current year unless there is a specific decision to mitigate or remove this effect by admitting an additional bid for more cash. This is exactly what we intended: it removes a weakness of the old system which you have yourself criticised.

CHANCELLOR OF THE EXCHEQUER

4. In the case of local authority expenditure there is - not least because of the cost of their pay bill - a cash squeeze this year, which the new system would carry forward unless we take an explicit decision to mitigate it.

But Mr Heseltine was one of the critics of the old system! T.

5. The Education and Environment Secretaries are pressing for full revaluation, with no carry forward of cash squeeze, to be conceded now. The Chief Secretary and I are sure that this would be wrong. It cuts across one of the intended benefits of cash planning and would quickly spread to other departments. We are, however, prepared to concede that in this, as in other cases, a bid for additional funds can be made and argued out along with other bids in the general survey discussions in September and October. We therefore suggest that the assumptions given to local authorities now should be described as provisional.

6. I fear that this will not satisfy the other Ministers. The Environment Secretary may circulate a counter paper. I am sure we should go no further. It will have to be argued out at Cabinet. We may have a chance to discuss it ahead of that on the way back from Ottawa. But I thought I should let you know now of the change in our proposal.

7. I am copying this to Sir Robert Armstrong.

Peter Jenkins

for (G.H.)
17 July 1981

(Approved by the Chancellor of the Exchequer and signed in his absence).

CONFIDENTIAL

REVISED DRAFT (17.7.81)

LOCAL AUTHORITIES' CURRENT EXPENDITURE 1982-83

Note by Chief Secretary, Treasury

The Chancellor's paper C(81) discusses our general approach to the public expenditure Survey. This note is about an immediate decision concerning local authorities' spending plans.

2. It will be helpful to give local authorities early guidance as to our intentions for their current spending next year 1982-83, which will be reflected in the Rate Support Grant negotiations later. Guidance given before the summer holidays will have more influence on actual spending next year than would a statement delayed until the autumn. For England and Wales coming meetings of the Consultative Councils are suitable opportunities.

3. Despite the conditional reductions in Rate Support Grant, local authorities are likely to overspend the March White Paper plans for relevant current expenditure for the current year 1981-82 by at least £1 billion. Political opposition to further cuts is increasing. The further powers to influence local authority expenditure which we have discussed in E Committee will not take effect before 1983-84.

4. We therefore have to recognise that total local authority expenditure next year is likely to be higher than whatever we may decide to put into the calculations of Rate Support Grant and into the next White Paper. The issue is how we can best influence local authorities to bring their expenditure down towards the levels which we want.

5. If we say nothing now, local authorities will continue their preparation of plans and budgets in many cases on the assumption that the Government's intentions are the volume plans in the last White Paper, which show a reduction of 1% between 1981-82 and 1982-83.

In fact, of course, the change to cash planning, and associated methods of revaluation, are designed to carry forward a cash squeeze from one year to the next, unless it is specifically decided to admit a bid to make it good. We now expect a cash squeeze of 2-3% for local authorities in the current year because actual increases between 1980-81 and 1981-82 in their pay and prices are proving to be more than the cash limit factors for this year.

6. We should accept bids for making good such a cash squeeze only in exceptional cases, and not for the generality of local authority expenditure. The greater part of this year's squeeze for the authorities will result from pay settlements which they have made, accepting the consequences for this year. In these circumstances it is right to carry this squeeze forward to next year.

7. My proposal is that we should inform local authorities now that this year's decisions on the cash programmes will not be taken before the autumn. The inflation factors for 1982-83 will be reviewed then, and the cash programmes as a whole considered further by the Government. Meanwhile in any planning currently taking place local authorities should work on the provisional assumption that the cash total for current expenditure used for calculating the RSG will probably be not more than the total cash equivalent of the programmes in the March White Paper, revalued on the formula agreed by Cabinet for starting this year's survey. The White Paper figures at autumn 1980 prices are converted to 1981-82 prices using the factors (11 per cent and 6 per cent) agreed for this year's RSG and cash limits, and then revalued forward for 1982-83 using for the present the single 7 per cent factor which we have provisionally adopted and used in our Survey discussions with local authorities. The 7 per cent is subject to revision in the autumn to the extent of any general revision of inflation factors for 1982-83 which may then be decided by Cabinet. The present calculation would allow 6% more cash for 1982-83 than the figure used in the RSG settlements for 1981-82.

9. This guidance should give local authorities practical advice without prejudicing our September and October deicisons, including those on bids, if any, to make good carry-forward of the squeeze.

10. There is a case for special allowance for the extra cost of the prospective 1981 police pay settlement (say £90 million) and of allowing police forces to recruit up to complement (£25 million). To announce this now would recognise our priority for the police service without abandoning the discipline of cash planning.

11. The general stance indicated by my proposal is designedly tough. Because of the overspend in the current year, if local authorities actually kept their cash spend next year to the level proposed, they would spend no more cash next year than this year. This would imply that on present estimates they should reduce their current spending next year in volume terms by some 7 per cent, that is 3-4 per cent to eliminate the 3-4 per cent volume excess in 1981-82, the Government's already intended volume reduction of 1 per cent between 1981-82 and 1982-83 as shown in the White Paper, and 2-3 per cent for the carry forward of the cash squeeze.

12. While in general we ought to be aiming below the March White Paper figures, in the case of local authorities current spending I doubt whether specifying now a further cut in the White Paper figures beyond the carry forward of this year's squeeze would help to get actual spending down.

13. The question of bids to modify the effect of carrying forward the squeeze, and whether we can afford them in the context of our decisions as a whole, will be for further discussion in the autumn.

<u>Conclusion</u>

14. I therefore invite Cabinet to ask the Secretaries of State for the Environment, for Scotland and for Wales to give guidance to local authorities on the basis set out in paragraphs 7 and 10.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

Mike
PM approved
earlier version.

~~cc Press Office~~

My ref:

Your ref:

16 July 1981

TL 17/7

Dear Nick

AUDIT COMMISSION: DRAFT STATEMENT

Following our discussions about the view now taken by the Chancellor of the Duchy and my Secretary of State that the draft statement on the Audit Commission should be made orally, I attach a slightly revised draft of the document that has already been circulated to colleagues. As you know, the aim is now to make this statement to the House, if possible, on Tuesday afternoon, 21 July. The Secretary of State feels that this timing is better, avoiding the statement being made too close to the end of the session, though he understands ~~that~~ it would no longer be possible to fit in with the Treasury time-table on the publication of their response to the PAC. He believes, however, in the circumstances, this should not cause problems.

I am copying this to Tim Lankester at No 10, PS/Secretary of State for Wales, PS/Chancellor of the Exchequer, PS/Secretary of State for Education, PS/Secretary of State for Health and Social Services, PS/Home Secretary, PS/Secretary of State for Transport, PS/Chief Whip, PS/Secretary of State for Scotland, PS/Sir Robert Armstrong and to Mr K J Sharp, the Head of the Government Accountancy Service.

In current circumstances, of course, it may be necessary for Mr King rather than Mr Heseltine to make the announcement.

Yours ever,

David

D A EDMONDS
Private Secretary

Nick Huxtable Esq

draft of 15.7.81

DRAFT STATEMENT

LOCAL GOVERNMENT AUDIT IN ENGLAND AND WALES

1. With permission, Mr Speaker, I wish to make a statement about the Government's proposals for the future of local government audit in England and Wales.

2. As the House knows, the Public Accounts Committee in their First Special Report of this Session on the Role of the C & AG, included recommendations for changing the arrangements for local authority audit. The Government's response to the Committee's report as a whole will be published [shortly] [next week] in a White Paper. In this statement I shall deal only with future arrangements for the audit of local authorities and water authorities.

3. Under the Local Government Act 1972 and the Water Act 1973 respectively local authorities and water authorities in England and Wales may appoint as their auditors either the District Auditor or, with my approval, a private firm of accountants. The District Auditor is a civil servant attached organisationally to my Department; but he and the approved auditor are alike independent in the conduct of their duties, which are conferred on them by the Local

Government Act 1972. Both district and approved auditors operate under a Code of Practice issued by my Department in 1973, and both are under the supervision of the Chief Inspector of Audit who is an official of my Department. The District Auditor alone, however, has powers of disallowance and surcharge in relation to unlawful expenditure.

4. The Advisory Committee on Local Government Audit, under the chairmanship of Mr Brian Maynard, was appointed by my predecessor in 1979 to advise on general issues in this field; it has no executive functions.

5. The Government believe that it is of the highest importance to obtain value for money in local authority expenditure. We consider that, while the present audit service has done and is doing excellent work, some changes are needed to strengthen the audit process. We need to make it more visible in the interests of greater public accountability, to enable it to make a greater contribution to improving efficiency in local authorities, and to augment the skills of the District Audit Service by bringing in those of the private accountancy profession in greater measure.

2.

6. We therefore intend to establish a new statutory body to be responsible for the audit of local authorities in England and Wales. Legislation to this end will be introduced at the earliest opportunity. The body, to be called the Audit Commission, would consist partly of people chosen from local government and partly of other people with relevant expertise from industry, commerce and the professions, with an independent chairman. The chairmen and members would be appointed by my rt. Hon Friend the Secretary of State for Wales and me. The Commission would itself appoint auditors to the local authorities, either from among the District Auditors or from among firms of private accountants. The Commission would take over from my Department responsibility for the District Audit Service whose members will cease to be civil servants. Discussion about the transfer arrangements will begin forthwith with representatives of the staff.

7. The Commission ~~will~~ would not be responsible for the audit of water authorities. The monopolies and Mergers Commission recently noted that these are virtually nationalised industries organised on a regional basis. The Government considers that it is time to put the Water Authorities on all fours with other publicly owned trading organisations in this regard, and to remove them from the scope of the local government audit regime. Water Authority auditors would thus be appointed by the Secretary of State

concerned and could be given specific remits in the area of management efficiency.

The Monopolies Commission is also available for references in the water industry. Internal Drainage Boards however ~~will~~ would remain on the same footing as local authorities.

8. The Commission ~~will~~ would have a specific remit in the area of management efficiency and ~~will~~ would promote or undertake comparative and other studies in this field. It ~~will~~ would thus cover some of the area of work of LAMSAC - the Local Authorities Management Services and Computer Committee - and I intend to discuss with the local authority Associations what arrangements would be appropriate to deal with this. It ~~will~~ would also replace the Advisory Committee, which ~~will~~ would be would up.

9. The Commission ~~will~~ would be self-financing, primarily from audit fees, as the audit service is now. Some increase in the present scale of fees ~~will~~ would be required to accommodate the increased audit effort.

10. Before reaching this decision the Government considered very carefully the PAC's arguments in favour of putting the District Audit Service under the aegis of the Comptroller and Auditor General. We concluded, however, that that arrangement would be fundamentally inconsistent with the constitutional position of local

authorities as bodies elected by the local electorate and responsible to it; and that Parliament's interest in the monies voted by it for the purposes of Exchequer grants to local government is properly pursued through the accountability to Parliament of the Ministers responsible for the payment of those grants.

11. A consultation paper setting out the details of this proposal [will be issued shortly] [is being issued today]

12. Pending the introduction of legislation I intend to use my existing powers under the Local Government Act 1972 to appoint as additional district auditors members of private accountancy firms. These will undertake the audit of the accounts for 1981-82 of a small number of authorities now subject to audit by the existing district audit service, and like it will operate under the general supervision of the Chief Inspector of Audit. The authorities involved will be selected so as to provide a diversity of characteristics, and I shall announce their names shortly. I imply no criticism whatever of the work of the existing district auditors in whom I have full confidence. But I believe that, given the difficulties facing local authorities in a period of declining resources, it will be belpful to have additional audit effort deployed in a selection of authorities in order to illuminate these problems and increase understanding of how they have been dealt with; and that the use of private accountants will bring a useful diversity of experience into this field.

Y SWYDDFA GYMREIG
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Tel. 01-233 3000 (Switsfwrdd)
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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

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

Mr Lankester To
Ar inh. 14/7

14 July 1981

Dear Geoffrey

AUDIT COMMISSION: ANNOUNCEMENT

Michael Heseltine wrote to you on 1 July about the announcement on the establishing of the proposed Audit Commission.

I agree that this should be made as soon as possible before Parliament rises, and I see distinct advantage in the issue of the response to the PAC's report at the same time.

You will see from the draft Statement enclosed with Michael's letter that the members of the Commission are to be appointed by the Secretaries of State to the Environment and for Wales jointly. I have it in mind that in practice some of the members would be nominated by me and the rest nominated by Michael. Colleagues will also wish to note that in matters relating solely to Wales the statutory powers in relation to the Commission will be exercised by the Secretary of State for Wales.

I am copying this letter to the other recipients of Michael's letter.

Yours ever
Nick

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON

CONFIDENTIAL

Mr Lanchester
To be aware
WW
13/7

Local Govt
12
12/7

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

10 July 1981

The Rt. Hon. Michael Heseltine MP
Secretary of State for the Environment

Dear Secretary of State,

AUDIT COMMISSION: ANNOUNCEMENT

TPM'd

Thank you for your letter of 1 July.

I entirely agree with you on the desirability of your announcement being made simultaneously with publication of the Government's reply to the PAC Report about the role of the C & AG. I will gladly do my best to help in bringing this about. But the White Paper will not be ready before sometime in the week beginning 20 July at the earliest.

Would a week or two delay in your announcement matter from your point of view? If not, I suggest that our officials should get in touch to agree an alternative date, which of course would in any event need to be before Parliament rises.

This would also allow time for our officials to clear up one or two points of detail in your draft announcement about which my officials will be in touch with yours.

I am copying this letter to the recipients of yours.

Yours sincerely

for GEOFFREY HOWE
(Approved by the Chancellor & signed in his absence)

CONFIDENTIAL

ds

cc MOD D/M
CSO MAFF
D/N DOT
HO SO
FCO WO
HMT CDL
D/Ind CWO
LPO CO

CF

FILE

10 DOWNING STREET

From the Private Secretary 10 July 1981

Audit Commission

The Prime Minister has read the draft statement attached to your Secretary of State's letter of 1 July, and subject to any comments from the Treasury, she is content for it to be made in answer to an arranged written Question.

I understand that you are discussing with the Chancellor of the Duchy's office the question of the timing of the announcement.

I am sending a copy of this letter to the Private Secretaries to the members of E Committee, Godfrey Robson (Scottish Office), John Craig (Welsh Office), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

I. P. LANKESTER

David Edmonds, Esq.,
Department of the Environment.

JS

1 Mr Lankester
2 Prime Minister
To be aware

Local Govt
[illegible] 9/7

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

8 July 1981

This was of course touched on in Cabinet today.

TL 9/7

Dear Michael

I spent Tuesday in Liverpool and had a close look at Toxteth. The damage to property is appalling, worse than I remember it in Belfast and Londonderry in 1972. The police on Merseyside will continue to be under enormous pressure. The consequent expense for the police authority will be very great and we must allow for similar situations in other parts of the country.

This brings into sharp focus a political problem upon which you and I will have to keep in close touch over the next few months. I recognise that our priority for law and order cannot exempt those services from the search for efficiency and economies. However, there have been signs recently that individual local authorities are biting quite deeply into the budgets of the law and order services. If this happens indiscriminately and on any large scale, there is a real risk to public order and the administration of justice. And our opponents could use the tension between our common objectives of controlling local authority expenditure and maintaining the rule of law as a means of causing short term political embarrassment.

When the local authorities' revised budgets, for which you have called, are in, I suggest that we should together look carefully at the way individual authorities have dealt with the services I am concerned with.

I am sending a copy of this letter to the Prime Minister and to the Chancellor of the Exchequer.

Yours ever

Willie

The Rt. Hon. Michael Heseltine, M.P.

CONFIDENTIAL

2

2 MARSHAM STREET
LONDON SW1P 3EB

1. Mr Pattison
2. Prime Minister
This is a draft Written Answer announcing the Audit Commission. It seems alright.
T.P. 2/7

Pass this
cc A. Walters
A Duguid

Agreed
MT

My ref:

Your ref:

1 July 1981

Dear Geoffrey

AUDIT COMMISSION: ANNOUNCEMENT

I am writing, as agreed at E Committee (E(81)22nd minutes), to consult you about the timing of an announcement about the Audit Commission.

I am anxious to make this announcement as soon as possible before Parliament rises. I hope that we could do so in the week beginning 13 July. It would be most helpful from my point of view if the broad context of our response to the PAC's report could be available at the same time, and I wonder whether your White Paper and my announcement could not be issued on the same day.

I attach a draft of the statement which I would propose to make by way of an answer to an arranged written Question. It is drafted on the assumption that the White Paper will appear at the same time and therefore makes only a brief reference to the PAC.

I am copying this to the Prime Minister, all members of E Committee, the Secretaries of State for Scotland and Wales, the Chancellor of the Duchy of Lancaster, the Chief Whip, and to Sir Robert Armstrong.

yours ever

Michael

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe MP

B

AUDIT MEASURES: DRAFT WRITTEN ANSWER

Q. To ask the Secretary of State for the Environment if he will make a statement about the Government's proposals for the future of local government audit in England and Wales.

A. The Government's response to the Public Accounts Committee's report on the Role of the C & AG is being published today in a White Paper. In this statement I shall deal only with future arrangements for the audit of local authorities.

The Government believe that it is of the highest importance to obtain value for money in local authority expenditure; and we consider that, while the present local government audit service has done and is doing excellent work, some changes are needed to strengthen the audit process, to make it more visible in the interests of greater public accountability, to enable it to make a greater contribution to improving efficiency in local authorities, and to bring in the accountancy skills of the private sector in greater measure.

The Government therefore intend to establish a new statutory body to be responsible for the audit of local authorities in England and Wales. Legislation to this end will be introduced at the earliest opportunity. The body, to be called the Audit Commission, will consist partly of people chosen from local government and partly of other people with relevant expertise from industry, commerce and the professions, with an independent chairman. The chairman and members will be appointed by my rt. Hon Friend the Secretary of State for Wales and me. The Commission will take over from my Department responsibility for the District Audit service. The Commission will itself appoint auditors to the local authorities, either from among the District Auditors or from among firms of private accountants. It will also replace the Advisory Committee on Local Government Audit under the chairmanship of Mr Brian Maynard, which was appointed in 1979 by my predecessor to advise on general issues in this field but has no executive functions.

The Commission will have a specific remit in the area of management efficiency and will promote or undertake comparative and other studies in this field. It will thus cover some of the work of the Local Authorities Management Services and Computer Committee, and I intend to discuss with the local authority Associations what arrangements would be appropriate to deal with this.

The Commission will be self-financing, primarily from audit fees, as the audit service is now.

I shall issue shortly a consultation paper setting out the details of this proposal.

Pending the introduction of legislation I intend to use my existing powers under the Local Government Act 1972 to appoint as additional District Auditors members of private accountancy firms. These will undertake the audit of a small number of authorities now subject to audit by the existing District Audit Service, and like it will operate under the general supervision of the Chief Inspector of Audit. The authorities involved will be selected so as to provide a diversity of characteristics, and I shall announce their names shortly. I believe that, given the difficulties facing local authorities in a period of declining resources, it will be helpful to have additional audit effort deployed in a selection of authorities in order to illuminate these problems and increase understanding of how they have been dealt with; and that the use of private accountants will bring a useful ~~diversity~~ variety of experience into this field. I imply no criticism whatever of the work of the existing District Auditors, in whom I have full confidence.

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PRIME MINISTER

Local Government Finance

E(81)70 and 71

BACKGROUND

1. On 21 May the Committee approved measures to deal with prospective overspending by local authorities in 1981-82 and they invited the Secretary of State for the Environment to put forward proposals for further interim measures on Local Government finance to be implemented from April 1983, and on the options for longer term alternatives to the domestic rating system, which might form the basis of legislation in the 1982-83 Session of Parliament (E(81)18th Meeting, Item 2). The Secretary of State for the Environment was authorised to announce to Parliament the Government's intention to introduce these measures. He has now put forward his specific proposals in E(81) 71 and the Secretary of State for Scotland has commented in E(81) 70 on how they might apply in Scotland.

Medium Term Measures

2. The Secretary of State for the Environment has summarised his medium-term proposals in paragraphs 5, 11 and 12 of E(81) 71. They fall into four main groups -

i. A requirement that local authority expenditure over specified levels should be financed by a series of supplementary rates (paragraph 5 (i)-(iv) and (vii)).

- It might be argued that the limits should be related to levels of rate increases rather than of expenditure (viii). The disadvantage is that, unless this were accompanied by controls on the financing of expenditure from balances, it would be less effective in controlling expenditure. It could, however, be reconsidered in the light of consultations on the proposals.

ii. Provision for the Secretary of State to limit the impact of supplementary rates on the non-domestic rate payer (5(vi) and 8).

iii. A requirement that a second supplementary rate could not be levied until the authority had first submitted itself for re-election. (5(v), (7) and Annex A).

- The Committee will wish to consider this recommendation, and the alternative of making supplementary rate increases subject to referendum, very carefully. The case for an election is that it should produce either a new council or a clear and specific mandate for high spending financed by high rates; and that the risk of re-election should be a deterrent to high spending. The Secretary of State for Scotland - paragraph 5 of E(81) 70 - strongly prefers a referendum, however, on the grounds that the results of a re-election would depend upon a wide range of issues quite apart from those arising on a supplementary rate. The Committee might also wish to consider what would happen, under either course, if a local authority deliberately sought confrontation by spending up to its limits and then, pending an election or a referendum, confronted the Government with the alternative of either letting it spend more or having its services collapse.

iv. An Audit Commission (paragraph 11) and, before that is set up, the appointment of private accountants as additional district auditors (paragraph 12).

- In their earlier discussion the Committee were generally sympathetic to this proposal for re-organising the audit arrangements for local authorities. When the Secretary of State for the Environment announces this decision, he will need to explain briefly why, in taking this course, the Government has rejected the

Public Accounts Committee's recommendation for putting local authority audit under the Comptroller and Auditor General; and to indicate that Treasury Ministers will be publishing shortly in a White Paper the Government's comprehensive response to the PAC's recommendations on public sector audit arrangements.

3. These measures will require legislation and the Cabinet has agreed that the Bill should be included in the 1981-82 legislative programme (CC(81) 22nd Conclusions, Item 4).

4. If the measures are approved in principle, the Secretary of State for the Environment will publish a consultation document on the lines of that at Annex C of E(81) 71. He has not yet decided when he would do so but it would need to be fairly soon in July if the consultation period is to be completed in good time for the drafting of the legislation to get ahead. He would then report on the outcome in September when firm policy decisions would be taken as a basis for the Bill.

5. The Secretary of State for Scotland in E(81) 70 supports the general thrust of the proposals and is willing to apply them, tailored as necessary, in Scotland; his only disagreement is with the proposal to make rates subject to election rather than referendum. He does not need an Audit Commission there since suitable arrangements already exist.

<u>Longer-Term Strategy</u>

6. The Secretary of State for the Environment's proposals are set out in paragraphs 14-19 of E(81) 71.

7. He recommends that an interdepartmental group of officials, under his Department, should be instructed to prepare a draft consultation document on alternatives to domestic rates and to put forward a framework for the document for consideration in July, and a full draft in September with a view to publication before the Party Conference in October. The Secretary of State for

Scotland is content with this, provided that account is taken of the differences in the Scottish system and his officials are on the interdepartmental group. The scope of the consultation document and the programme of work leading up to it is summarised in Annex D of E(81) 71. The main options are local income tax, local sales tax, a poll tax and limiting local authorities' powers by making them dependent on Exchequer grant or assigned revenues; further work will be done on the possibility of restricting local authority borrowing (paragraph 14).

8. I understand that the Secretary of State for the Environment intends to pursue separately with the Secretary of State for Industry the question of the industrial rating system. The problem is that, if industrial rates are to continue into the longer term, there is a strong case for a revaluation exercise - the last revaluation was in 1973 and is now badly out of date - notwithstanding the additional staff in the Inland Revenue which this would require.

9. You have agreed that the problems of local government structure, which the Secretary of State for the Environment raised in his minute to you of 12 June, should be considered on the basis of a paper which he will circulate in the autumn. The Secretary of State for Wales, in his minute to you of 23 June, has given notice that he is entirely opposed to another major upheaval of local government, and has pointed out that any further work on this will have to be handled very carefully if political controversy is not to be stirred up.

HANDLING

10. After the Secretary of State for the Environment has introduced his paper, it might be best to work through his recommendations, under the headings in this brief, rather than to open up a general discussion: that in effect took place on 21 May. The medium-term proposals relate to England in particular and you will wish to establish to what extent the Secretary of State for Wales is satisfied that they should apply to his local authorities. The most

controversial proposal is that for making a second supplementary rate subject to re-election or referendum; this is a question on which the Home Secretary in particular will have views, and the Cabinet will also want to hear the advice of the Chancellor of the Duchy of Lancaster and of the Chief Whip. The Chancellor of the Exchequer and the Chief Secretary will, apart from their interest, wish to comment in particular on how they will handle the reply to the PAC's recommendations on public sector audit arrangements.

CONCLUSIONS

11. The Committee will no doubt take decisions on detailed proposals as the discussion proceeds. But you will wish to sum up in general terms with reference to the points listed in paragraph 21 of the Secretary of State for the Environment's paper E(81) 71, and of paragraph 8 of the Secretary of State for Scotland's paper E(81) 70.

D J Wright

Robert Armstrong

(approved by Sir R. Armstrong & signed on his behalf.)

24 June 1981

With the Compliments

of the

Secretary of State

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

In mtg folder. 6

SECRET

SECRETARY OF STATE FOR SCOTLAND

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

24 June 1981

Dear Michael,

LOCAL GOVERNMENT FINANCE AND STRUCTURE

Thank you for sending me a copy of your minute of 12 June to the Prime Minister.

Reorganisation of local government in Scotland took place a year after the 1974 reorganisation in England. Also, our arrangements are different in ways which are germane to the problem you face in the metropolitan counties; in particular, responsibility for education and social work in Scotland rests with the upper tier and we do not have the precepting difficulty you have in England. In my statement to Parliament on 17 June announcing my conclusions on the Stodart Report I made it clear that we do not propose to re-open the question of whether or not there should be a single tier system of local government in Scotland, since we consider that the present Scottish system is basically sound and that the upheaval and expense of further major reorganisation would not be justified. That means that, even if our colleagues conclude that there should be changes in the local government structure in England, I should not want to disturb the position in Scotland at this time; but the differences between the two systems can readily be explained, and my statement was adjusted to minimise the risk of embarrassment to you.

I am copying this letter to the Prime Minister and our other colleagues who received your minute.

Yours ever,

George

SECRET

Prime Minister 5[2]

You have told Mr Heseltine that he can circulate a paper on this subject in the autumn.

M. 22/6

SECRET

PRIME MINISTER

LOCAL GOVERNMENT FINANCE AND STRUCTURE

The Secretary of State for the Environment minuted to you on 12 June on this subject and invited me and other colleagues receiving copies of his minute to comment.

I have to say in the clearest terms I can that I would be entirely opposed to another major upheaval of local government (and I say that as one who was unhappy about aspects of the last reorganisation and voted against the scheme imposed on my own constituency). In my view the penalties, political and financial, of another reorganisation far outweigh the likely benefits.

I hope that in the light of the political controversy that would be generated if it became known that we were contemplating reorganisation, very careful thought will be given to the way in which the matter is now handled. It will, of course, be essential for my department to be closely consulted about the consequences of any proposed changes on Wales.

/ Copies of this minute go to those who received copies of Michael Heseltine's of 12 June.

RNE

Approved by the Secretary of State
and signed in his absence

23 June 1981

SECRET

Local Govt 4

10 DOWNING STREET

From the Private Secretary

B.T.

Mr. Ibbs

Local Government Finance and Structure

Thank you for your minute of 18 June. This came in just after the Prime Minister had held a meeting with Mr. Heseltine, the Chancellor and the Home Secretary last Thursday: I enclose a copy of my record in case you haven't seen it.

As you will see, the Prime Minister has agreed that the problem of Local Government Structure should be looked at by Ministers when the draft consultation document is considered in the autumn. May I suggest that you yourself pass on the specific ideas in paragraphs 4 and 5 to the Department of the Environment direct?

I am sending a copy of this minute to David Wright (Cabinet Office).

I. P. LANKESTER

22 June, 1981.

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Qa 05399

To: MR LANKESTER

From: J R IBBS

18 June 1981

Local Government Finance and Structure

1. Sir Robert Armstrong has shown me a copy of the letter from the Secretary of State for the Environment to the Prime Minister about the possibility of local government reorganisation.

2. I think there can be no doubt that the indirect financing of one tier in local government via the rates levied by the second tier has militated against local accountability. A unitary system, with each authority directly accountable to its electorate for the way it spends the money it raises, is clearly preferable. I therefore welcome the Secretary of State's suggestion that the structure of local government should be reconsidered at the same time as proposals to change its methods of raising local finance.

3. The functional responsibilities of the tiers would of course need to be reallocated; but our recent study of Merseyside, and wider experience since the 1974 reorganisation, support the case for reviewing the divisions of responsibility between the tiers, particularly in the metropolitan counties and London. It is not clear that the metropolitan counties have managed to identify a worthwhile role for themselves.

4. A unitary structure would increase the visibility of local authority decisions to the local electorate. There is also a strong case for seeking ways of increasing the impact of authorities' financial decisions on their electorate. The taper in the block grant system is designed to do this. But another way of achieving it effectively, particularly in areas with very high non-domestic rateable values (e.g. Camden, ILEA) would be to convert the non-domestic rates into a national rather than a local system. My understanding is that such a system has not so far been much discussed within Government. It would remove the inequitable burden on businesses which happen to be situated in the areas of high-spending authorities, and would go further in this

direction than the Secretary of State's present proposal for "capping" the non-domestic rates levied by a few of the highest spending authorities. I therefore suggest that alternatives to the present non-domestic rating system should also be included in a review of structure and the domestic rate base.

5. My other concern is that the proposed review of alternatives to domestic rates should not cut across the main objective, which is to find a better way of restraining local authority expenditure. To change the method of revenue-raising is at best a very indirect means to this end. And some of the alternatives might even make it easier for the authorities to raise more money without protests from their electorate.

6. I am sending a copy of this minute to Sir Robert Armstrong.

JR

c.c. Master.

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cc HO
HMT
CO
CPRS.

10 DOWNING STREET

From the Private Secretary

18 June 1981

BF

Dear Dennis,

Local Government Finance: Medium- and Long-Term Measures

As you know, the Prime Minister held a meeting with your Secretary of State and Mr. King this afternoon to discuss the draft paper circulated under cover of your letter of 17 June. The Chancellor of the Exchequer was also present, as were the Home Secretary and the Chief Secretary for part of the meeting.

It was agreed that the draft should be circulated in its present form to E Committee, subject to paragraph 5 (vi) being revised to make clear that it referred to "capping".

The Prime Minister said that probably the most controversial proposal in the paper was the idea that local authorities would have to submit themselves for re-election before levying a second supplementary rate. It was agreed that this would be a superior proposition to holding a mandatory referendum before a second supplementary rate.

Other points raised were:

(i) The Chief Secretary said that he had written to Mr. Heseltine suggesting that it would be worth considering other methods of "capping" for the longer term: this would necessarily include the question of controlling local authority borrowing. Mr. Heseltine said that he was quite happy for this to be covered in the consultation document on alternatives to domestic rates which was planned for the autumn.

(ii) The Chief Secretary said that, on Mr. Heseltine's proposals for local authority re-elections, it might still be possible that a profligate local authority could run out of money before such an election took place. If this happened, it would put the Government on the collision course with that local authority which the proposal was intended to avoid. Mr. Heseltine said that he doubted that this could happen, but he would look into it and make sure that the point was covered in finalising the proposal.

/ There was

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Gc

There was also a brief discussion of Mr. Heseltine's minute of 12 June on local government finance and structure. Mr. Heseltine explained that the structure issue was bound to be raised once the Government published its consultation document on alternatives to rates. Any changes in local authority finance would be designed partly to ensure greater local accountability; yet the present two-tier system of local authority government would make it extremely difficult to achieve this objective whatever system of finance was adopted. He therefore proposed to prepare for colleagues' consideration a paper on different forms of structure as they might affect the various financial alternatives at the same time as the draft consultation document.

It was strongly argued by others at the meeting that, while it might be possible to get rid of the two-tier system in the metropolitan areas, this would not be feasible in the shire counties. However, it was agreed that Mr. Heseltine should prepare a paper for colleagues' consideration on the lines he proposed.

I am sending copies of this letter to John Halliday (Home Office), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

Yours ever,

Tim Lankester.

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

SECRET

2 VLS

FILE

10 DOWNING STREET

From the Private Secretary

18 June 1981

Dear David,

Local Authority Finance and Structure

Your Secretary of State minuted the Prime Minister on 12 June on the above subject. This was copied on a personal basis to a number of other Ministers. This is just to confirm for their benefit that the Prime Minister has agreed that Mr. Heseltine should produce for colleagues' consideration in the autumn a paper on the lines he proposes.

I am sending a copy of this letter to John Halliday (Home Office), John Wiggins and Terry Mathews (HM Treasury), Brian Fall (Foreign and Commonwealth Office), Brian Norbury (Ministry of Defence), Jim Buckley (Lord President's Office), Kate Timms (Ministry of Agriculture, Fisheries and Food), John Rhodes (Department of Trade), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), Julian West (Department of Energy), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Don Brereton (Department of Health and Social Security), Peter Shaw (Department of Education and Science), Anthony Mayer (Department of Transport), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

Yours ever,

Tim Lankester

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

SECRET

Hansard Extract Wed 17.6.81

Scotland (Local Government)

The Secretary of State for Scotland (Mr. George Younger): With permission, Mr. Speaker, I wish to outline to the House the Government's conclusions on the recommendations of the committee of inquiry into local government in Scotland, which sat under the chairmanship of my noble Friend Lord Stodart of Leaston to review the working relationships among local authorities in Scotland and to recommend whether any transfer or rationalisation of functions was desirable and consistent with maintaining the viability of the existing authorities. The committee's report was presented to Parliament in January, and I have considered the comments received since then. I am making available in the Vote Office a detailed supplementary statement of our conclusions on each of the recommendations.

The committee recorded 72 conclusions and recommendations and we have decided to accept about 60—subject in some cases to minor variations—and to consider a further seven in the context of the separate review of Scottish roads legislation, about which my Department recently issued a consultation document.

I comment now on some of the major issues raised by the committee. It emphasised that a change to a system of all- or most-purpose authorities would involve a major change in the structure of local government, and suggested that if this was to be pursued it should be examined specifically on a country-wide basis. The committee did not, however, recommend that such an examination should take place and as my hon. Friend has already indicated to the House, the Government do not propose now to reopen the question whether or not there should be a single-tier system of local government in Scotland. We consider that the present Scottish system is basically sound and that the upheaval and expense of further major reorganisation would not be justified. In particular, we accept the committee's conclusions that most-purpose status for the four city districts could not be achieved without prejudicing the viability of the surrounding regions, and therefore that a marked move towards all-purpose status could not be justified.

However, like the committee we see scope for some redistribution of functions between regional and district authorities to reduce the extent of concurrency, particularly in industrial promotion and leisure and recreation, on which our decisions are as follows.

The majority recommendation that industrial development powers should be confined to regional authorities prompted specific reservation and dissent within the committee. Reactions since the publication of the report have emphasised the important role that districts play in providing and enhancing local employment opportunities. I have concluded that it would not be right to deprive districts of their powers to provide factories and mortgages for industrial purposes and I do not propose to change the present powers available to them for industrial development, but I agree with the majority of the committee that all powers of promotion outside their areas should be concentrated on the regions. Moreover, I intend that any overseas promotion expenditure by regions should be subject to the consent of the Secretary of State. Thus, regions and districts will have the same powers available to them as at present to encourage local employment, but the concentration of promotion powers on the regions will, the fish is at liberty to come and go, it is, until caught, ares nullius—which means, for the hon. Gentleman's benefit, that it is nothing at all until it is caught.

Mr. John MacKay: When considering angling legislation, will my hon. and learned Friend note the interests of the legitimate angler, the legitimate angling club and the riparian owner, who has provided the fishing, as against the interests of some of the people of whom the hon. Member for West Stirlingshire (Mr. Canavan) seems to approve, who invade fishings with cans of worms and six rods—

Mr. Peter Fraser: And hand grenades.

Mr. MacKay: Perhaps even hand grenades—and who indulge in illegitimate fishing to the detriment of legitimate anglers, who wish to enjoy their sport?

The Solicitor-General for Scotland: I would not wish to refer to the hon. Member for West Stirlingshire (Mr. Canavan) as a can of worms or a hand grenade. There are competing interests of owners and fishermen, those who genuinely enjoy the sport. A review is going on of the law, but it is unlikely that the solutions to be applied in the West Stirlingshire democracy are those which would satisfy any of the parties who live together and enjoy the sport which is enjoyed by a large number of people in all parts of Scotland.

Mr. David Steel: In pursuit of the question asked by my former fishing companion, the hon. Member for Argyll (Mr. MacKay), may I ask the Solicitor-General whether there have yet been any prosecutions under the protection order on the Tweed, and, if so, whether any of them relate to persons from West Stirlingshire?

The Solicitor-General for Scotland: I am sorry to know that the right hon. Gentleman has given up fishing with my hon. Friend and taken up instead picnics on the lawn with the Social Democratic Party. I am afraid that I do not know whether there have been prosecutions under the Tweed order, but I shall write to the right hon. Gentleman. If there have been occasions of lawlessness, I dare say West Stirlingshire may be responsible.

Mr. Canavan: On a point of order, Mr. Speaker. In view of the unsatisfactory nature of the reply, which is a direct contradiction of a letter that I received from the Lord Advocate, I beg to give notice that I shall seek leave to raise the matter on the Adjournment.

Courts (Industrial Action)

38. **Mr. Peter Fraser** asked the Solicitor-General for Scotland what delays are being experienced in both the sheriff courts and High Court as a result of industrial action by court staff.

I hope, facilitate co-operation and co-ordination of external publicity efforts. This decision will greatly simplify the task of the new Locate in Scotland unit, set up recently in response to a report of the Select Committee on Scottish Affairs.

We accept the Committee's recommendations that, in general, district councils alone should have comprehensive responsibilities for leisure and recreation functions. Similar considerations apply in countryside matters, but because some facilities have a significance beyond the district boundaries we believe that there should be a defined continuing role for the regions.

In some cases it will be possible to implement our conclusions by administrative action, after further consultation with the Convention of Scottish Local Authorities, but many of the proposals will require legislation.

We owe a considerable debt to my noble Friend Lord Stodart and his committee for the work that they did under very considerable pressure. The best proof of our appreciation of their work is the very high proportion of their conclusions that we now accept and our determination to implement them soon.

Mr. Younger: I do not know how many of my election meetings were attended by the hon. Gentleman. He will be very welcome at all of them in future. I gave no such undertaking at the last election or at any other election, but I undertook to have a review made of the working of local government in Scotland, and today I have announced the conclusions of that review. I should have thought that I had done rather well.

Mr. Albert McQuarrie (Aberdeenshire, East): Would my right hon. Friend care to consider the need for planning in the restructuring of local government, as there are considerable problems in the complex business of planning at district level and planning at regional level, and it is necessary to achieve some form of integration? Would he accept that his comment concerning the loss of the ability of the North-East Scotland Development Association to go out for investment overseas, and its need to obtain his authority before doing so, will not be received with very great glee in the Grampian region, because that authority has been extremely succesful in bringing jobs from overseas to the region?

I accept the need for a Locate in Scotland unit, but my right hon. Friend should not deter good organisations from

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CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

17 June 1981

Dear Tim

LOCAL GOVERNMENT FINANCE: MEDIUM AND LONG TERM MEASURES

Further to my letter of earlier this morning I enclose Annexs A and D. I also enclose a short explanatory note which should be attached to the table I have already circulated as Annex B. I am copying this as before.

Love
David

D A EDMONDS
Private Secretary

Tim Lankester Esq - No 10

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:
17 June 1981

Dear Tim,

LOCAL GOVERNMENT FINANCE: MEDIUM AND LONG TERM MEASURES

You asked, in preparation for the meeting tomorrow, to see the latest draft of the paper which my Secretary of State proposes to circulate for discussion at the Economic Strategy Committee on 25 June. The draft, which, of course, is by no means yet finalised, sets out our current thinking on possibilities for both the medium term and the long term. (Three annexes are still in the course of preparation.)

The final version will include a draft consultation document on interim measures, which my Secretary of State will invite colleagues to agree should be published as soon after the discussion as possible. We are still working on the text of that document, which will appear as Annex C to the paper. We shall need to look further at the detailed implications of the measures outlined as work on the consultation document proceeds, and the figures now attached at Annex B may need to be changed. But they give a broad indication of the scope of the proposals.

I am sending copies of this and the draft paper to the Private Secretaries to the Chancellor of the Exchequer and the Home Secretary, who, of course, already have copies of the minute on organisation by my Secretary of State on 12 June which I understand is also likely to be discussed tomorrow.

Yours ever

David Edmonds

D A EDMONDS
Private Secretary

Tim Lankester Esq - No 10

DRAFT E PAPER

1. At our meeting on 21 May (E(81)18th, Item 2) I was invited to circulate a further memorandum setting out proposals on local authority expenditure and the rating system which might take effect in April 1983, subject to legislation next session, and on the options and consultation procedures for the introduction in the longer-term of alternatives to domestic rates.

2. Our present public expenditure plans require local authorities to reduce the volume of their current expenditure by about 5% between 1981-82 and 1983-84 (on a realistic assumption about the likely outturn this year after allowing for some shortfall on their original budgets). This is equivalent to a reduction of about £800m at November 1980 prices, and probably implies a reduction of about 120,000 "full time equivalent" employees, out of a total of 1,850,000 on current account services, between April 1981 and March 1984.

3. The percentage and distribution of rate support grant remain our main weapon for influencing the overall level of local authority expenditure. But it is already clear that even if the overall expenditure target for local government is achieved this year, an important minority of authorities - largely politically motivated - are likely to maintain or increase their expenditure levels in spite of the Government's requests for economy, and in spite of the pressures exercised through the grant system.

4. I have with colleagues' agreement announced to Parliament a two-fold strategy:

(i) medium term measures, to come into force in April 1983, which will bring home to local authorities and their electorates the consequences of high spending policies. Cabinet has now agreed that there should be legislation next session (C(81)).

(ii) further development of the longer term strategy for the replacement of domestic rates, and publication of a consultation document this autumn.

Medium term measures

5. In E(81)60 I outlined possible medium term measures. In the light of further work I now propose that they should take the following form. (My proposals relate to England; colleagues will wish to consider whether similar measures should apply to Wales and Scotland.)

(i) The measures should apply to local authorities spending at a high level in relation to their needs. The legislation would allow me to define high spending for this purpose; I envisage a threshold defined in relation to the grant related expenditure assessments (GREs) which are already calculated for individual local authorities for the purpose of distributing block grant.

(ii) An authority proposing to spend above its threshold level would be obliged to finance the excess expenditure by means of a supplementary rate, to be levied not earlier than July and not later than September.

(iii) There would be a limit on the amount of expenditure that could be financed by means of a first supplementary rate.

(iv) If this amount were insufficient to finance the whole of the excess expenditure, the authority would be obliged to levy a second supplementary rate.

(v) The second supplementary rate could not be levied until the authority had first submitted itself for re-election.

(vi) The legislation would enable me to prescribe ways in which the supplementary rates should have a more severe incidence on the domestic than the non-domestic ratepayer.

(vii) The obligation to levy a supplementary rate would apply even if an authority had sufficient balances to finance the excess expenditure without a supplementary call on the ratepayer. Members of an authority which flouted this requirement would be liable to surcharge.

(viii) It might be desirable to reinforce these provisions by setting a limit on the main rate levied by a high spending authority. This would raise technical problems.

6. These measures would be aimed at high spending areas. They would strengthen electoral accountability by making high rate levels more visible than now (and much more visible for council tenants, for whom rate increases are often obscured in changes in rent). The differential incidence of supplementary rates would bring home to domestic ratepayers the cost of high spending policies, and would give some protection to the unrepresented non-domestic ratepayer, who has no vote.

7. The requirement on an authority to submit itself for re-election before levying a second supplementary rate (para 6(v)) would be controversial. Annex A sets out some of the practical issues that will need to be decided. An alternative, also mentioned in Annex A, would be a mandatory referendum before a second supplementary rate. But if the verdict of the referendum were No, the same Council, with high spending policies, would still remain in office, with serious risks of continuing confrontation both with its electorate and with central government. An election is not open to this objection since it would produce either a new Council or a clear and specific mandate for high spending financed by high rates.

8. The differential incidence of the supplementary rate as between the domestic and the non-domestic sectors could be determined in a variety of ways. For any authority the consequences would depend on (a) the amount of its spending above the threshold, (b) the relative proportions of domestic and non-domestic rateable value, and (c) any "safety-net" arrangements incorporated in the scheme to cushion especially severe consequences for the domestic ratepayer.

9. To illustrate the possibilities, the table at Annex B shows the consequences for some 40 high spending authorities, on 1981-82 data, of possible schemes which

a) begin to operate at spending levels 40% above the national average GRE;

b) apportion the rate burden of higher levels of expenditure in different ways between the domestic and non-domestic sectors (but in each case in favour of the non-domestic);

c) provide no special safeguards against disproportionate increases in the burden for domestic ratepayers in particular cases. (It would however be possible to include such safeguards if required.)

For Camden, a high spending inner London authority, the additional rate bill for the domestic ratepayer might be about £118.

[10. The final shape of the scheme would be settled after consultation. At Annex C is a draft consultation document, with a technical Appendix, which sets out in more detail the possibilities summarized in paragraph 5 above.]

11. The other medium-term measure which I envisage is the Accounts Commission (E(81)54) for which there was general support at E(81)17th and for which the Cabinet have allowed space in the legislative programme for 1981-82 (CC(81)). I was asked to consider alternative names for this body, and I now propose that it should be called the "Audit Commission".

12. Pending legislation I propose, under my existing powers, to appoint as additional District Auditors members of leading firms of accountants, to undertake audits of the 1981-82 accounts of a selected range of authorities and to produce reports that will identify and publicise areas of waste, extravagance and poor value for money. I would announce this at the same time as the Audit Commission, but without at that stage naming the authorities. I shall ensure that in the authorities I select, there will be those with both high and low expenditure and under both Labour and Conservative control. If I am to avoid challenge it is essential that my actions are seen to be fair. If we are to learn about value for money we need access to low spending authorities as well as high.

4.

13. I also suggest that we should make it clear in any announcement on medium term measures that in the rate support grant settlement for 1982-83 we shall continue to exert pressure on high spending authorities. This will publicly underline our determination to ensure that the national tax payers should not support a consistent pattern of overspending by local government, and might powerfully influence the response of London Boroughs who face election next year.

The Longer Term

14. We have committed ourselves to the publication of a consultation document on Alternatives to Domestic Rates in the autumn and I announced this to Parliament on 2 June. I now propose that an interdepartmental group of officials should be asked to produce a framework for this document for us to consider in July, and a full draft in September. We should aim to publish the document before the Party Conference in October.

15. The scope of the consultation document and the programme of work leading up to it are set out briefly in Annex D.

16. When we consider the consultation document in September we shall need to take a firm decision as to whether we are going to invite a short period of consultation up to the end of the year with a view to legislation in the 1982-83 Session, or whether to proceed more deliberately with consultation up to next Spring and a White Paper later in 1982, which effectively means deferring legislation until the next Parliament.

17. We must bear in mind that publication of a document on alternative taxes is likely to raise questions about the structure of local government, and we shall need to consider our attitude to this.

Conclusion

18. We need to keep up the pressure on local authorities to respond positively to the call for revised budgets. I should therefore like to publish the consultation document on medium term measures as soon as possible, and to announce our decision on the Audit Commission at the same time. I would propose to make ~~an~~ oral statement to the House, followed by a meeting of the Consultative Council on Local Government Finance.

19. I accordingly invite colleagues to agree:

(i) that we should publish during the week of 29 June a consultation document on the lines of Annex C;

(ii) that we should simultaneously announce our proposals for an Audit Commission;

(iii) that I should, on the day of publication, make an oral statement to the House; and then meet the Consultative Council on Local Government Finance.

(iv) that an interdepartmental group of officials should be instructed to prepare a draft Consultation Document on Alternatives to Domestic Rates, reporting to us with a framework for the document in July, and a full draft in September.

MH

June 1981

ANNEX A

ELECTORAL ACCOUNTABILITY

1. There are two ways of putting the matter of higher spending and higher rates before the electorate: a special election to the authority responsible or a referendum.

Present Position

Elections

2. Ordinary local authority elections in England and Wales are held on the first Thursday in May, according to a cycle established after local government re-organisation. The cycle varies according to tiers of Authority. Non-Metropolitan district councils, and most metropolitan districts, elect by thirds; some metropolitan districts and all county authorities, the Greater London Council and the London Boroughs elect en bloc. Casual vacancies which arise are filled by elections of which 25 Working days' (approximately a calendar month's) notice has to be given.

Referendums

3. Under the provisions of schedule 12 to the Local Government Act 1972 local polls may be held in parishes and communities (Wales) on any question arising at a parish or community meeting; but there is no provision for local referendums elsewhere.

Special Elections

4. If it were decided to introduce a requirement for special elections triggered by a majority vote for a supplementary rate the following questions arise:

(a) which authority is to be re-elected?

Presumably this would normally be the authority responsible for voting the increase, rather than the levying council. There could be no election, however, if the rate was increased as the result of a precept by a non-elected authority. A special problem arises in the case of ILEA (whose members are nominated by virtue of their being elected to other authorities).

(b) which members should be required to resign and face re-election?

It may be hard on members who have opposed spending to put their seats at risk. But the size of majority on some councils is such that limiting the election only to those members who vote in favour of a rate riese could enable a ruling group to ensure that only a sufficient number, with safe seats, vote and are liable for re-election.

(c) how should special elections be timed?

To avoid a re-jigging of the whole cycle the special elections might best be treated as filling casual vacancies - ie the members elected would serve out the terms of office of the former councillors. In authorities elected by thirds this would mean that some newly-elected councillors would have very short terms of office.

The political parties would need to have time to select candidates and to make administrative arrangements for special elections. But elections are customarily not held between mid-June and September (because of holidays) nor between November and the publication of the new electoral register in mid February (because of the weather and the unreliability of the register).

Referendums

5. To an extent the difficulties of timing at 4(c) above apply equally to local referendums. In addition the following questions arise:

(a) what question would be asked at the referendum?

At parish and community council polls the question to be asked is identical to that put to the parish meeting prior to the poll. At the EEC. referendum in 1975 and the devolution referendums in 1979 the questions were prescribed in legislation. It might be unwise to allow each local authority to set its own question without some form of approval by or appeal to the Secretary of State, and/or the form of the ballot being confined to a vote on a numbered resolution of the Council, with explanatory notes on the paper's face or in each polling booth.

(b) under what rules would the referendum be conducted?

Standard rules adapting existing electoral law could be prescribed, In addition it may be necessary to ensure that electors receive some information about the issues involved by providing support for 'yes'/'no' publications. This could be expensive.

Franchise

6. It is arguable that, as ratepayers will be directly affected by the issue in question at either a special election or a local referendum, the franchise should be specially restructured. This would seem to be more acceptable at a referendum on a specific financial matter than at an election to an authority with wide

responsibilities. A 'ratepayers only' franchise would, of course, exclude disproportionately women, young people living in rented accommodation, the ethnic minorities, the institutional poplulation (such as old people in local authority homes) and should, presumably, include aliens and other people, such as absentee landlords, who are not presently entitled to vote.

Cost

7. An ordinary local election in a district council area of 60,000 electors costs at least £10,000. The administrative costs of a local referendum would be about the same, although this could be doubled if special information was provided to electors.

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ANNEX B

1. The table attached illustrates the effects on rate poundages, and on average domestic rate bills, of three different levels of protection for the non-domestic ratepayer. Within each option the effect on domestic rate poundage is the same for every authority with the same degree of overspending. The first option (68% domestic taper) implies a general cost to the domestic ratepayer for extra expenditure at these levels of 9.4p in the £ for each £10 per head additional spending, the second (100% domestic taper) 11.2p, and the third (132% domestic taper) 13.0p. For authorities protected by block grant multipliers, or which receive no block grant, (eg Camden) the cost of extra expenditure is lower.

Annex B

Options for limiting non-domestic rates

	Amount above 40% threshold	68% domestic taper: Change non-domestic rate	68% domestic taper: Change domestic rate	68% domestic taper: Domestic rate bill effect	100% domestic taper: Change non-domestic rate	100% domestic taper: Change domestic rate	100% domestic taper: Domestic rate bill effect	132% domestic taper: Change non-domestic rate	132% domestic taper: Change domestic rate	132% domestic taper: Domestic rate bill effect
Bristol	£4.6ph	-.9p	1.1p	£2	-1.5p	1.9p	£3	-2.2p	2.8p	£5
Reading	£3.7ph	-.6p	.9p	£2	-1.1p	1.5p	£3	-1.6p	2.2p	£5
Milton Keynes	£2.8ph	-.7p	.7p	£1	-1.1p	1.2p	£2	-1.6p	1.7p	£3
Peterborough	£4.0ph	-.8p	.9p	£2	-1.5p	1.7p	£3	-2.1p	2.4p	£4
Langbaurgh	£17.7ph	-2.9p	4.2p	£7	-5.1p	7.4p	£12	-7.2p	10.6p	£17
Middlesbrough	£13.8ph	-3.4p	3.3p	£5	-6.0p	5.8p	£9	-8.6p	8.2p	£13
Carlisle	£2.1ph	-.5p	.5p	£1	-.8p	.9p	£1	-1.2p	1.3p	£2
Copeland	£4.4ph	-.8p	1.0p	£1	-1.3p	1.7p	£2	-1.9p	2.4p	£3
Chesterfield	£1.2ph	-.3p	.3p	-	-.5p	.5p	£1	-.7p	.7p	£1
Derby	£.2ph	-	-	-	-.1p	.1p	-	-.1p	.1p	-
Darlington	£14.5ph	-2.7p	3.4p	£5	-4.7p	6.0p	£9	-6.7p	8.6p	£13
Derwentside	£13.0ph	-2.9p	3.0p	£4	-5.1p	5.3p	£6	-7.2p	7.6p	£9
Durham	£10.7ph	-2.3p	2.1p	£3	-4.0p	3.7p	£5	-5.7p	5.3p	£8
Sedgefield	£5.3ph	-1.2p	1.3p	£2	-2.1p	2.2p	£3	-3.0p	3.2p	£4
Wear Valley	£7.8ph	-1.7p	1.9p	£2	-3.0p	3.3p	£4	-4.3p	4.7p	£5
Basildon	£3.6ph	-1.1p	.8p	£2	-2.0p	1.5p	£4	-2.8p	2.1p	£5
Harlow	£22.4ph	-4.8p	5.3p	£12	-8.4p	9.3p	£21	-12.1p	13.4p	£31
Wyre Forest	£3.3ph	-1.0p	.8p	£2	-1.7p	1.4p	£3	-2.4p	2.0p	£4
Stevenage	£18.5ph	-3.8p	4.4p	£11	-6.7p	7.7p	£19	-9.5p	11.1p	£27
Welwyn Hatfield	£6.3ph	-2.1p	2.2p	£6	-3.1p	3.2p	£8	-4.0p	4.2p	£11
Glanford	£2.2ph	-.4p	.5p	£1	-.7p	.8p	£1	-1.0p	1.2p	£2
Kingston upon Hull	£.1ph	-	-	-	-	-	-	-	-	-
Scunthorpe	£6.1ph	-.8p	1.5p	£2	-1.4p	2.6p	£4	-2.1p	3.7p	£6
Blackburn	£6.6ph	-1.4p	1.6p	£2	-2.5p	2.8p	£3	-3.6p	3.9p	£4
Burnley	£11.4ph	-2.2p	2.7p	£3	-3.8p	4.8p	£5	-5.5p	6.8p	£7
Rossendale	£12.4ph	-3.7p	2.6p	£3	-6.6p	4.6p	£5	-9.4p	6.6p	£7
Great Yarmouth	£1.2ph	-.3p	.3p	-	-.5p	.5p	£1	-.7p	.7p	£1
Wansbeck	£12.2ph	-2.0p	2.9p	£4	-3.4p	5.0p	£6	-4.9p	7.2p	£9
Nuneaton and Bedworth	£3.0ph	-1.1p	.7p	£1	-1.9p	1.3p	£3	-2.7p	1.8p	£3
Adur	£1.1ph	-.4p	.3p	£1	-.6p	.5p	£1	-.9p	.7p	£1
Crawley	£17.4ph	-3.0p	5.8p	£11	-4.4p	8.6p	£17	-5.8p	11.3p	£22
Thamesdown	£15.8ph	-3.0p	3.8p	£6	-5.3p	6.6p	£10	-7.6p	9.4p	£15
Manchester	£13.7ph	-1.9p	2.9p	£5	-3.3p	5.1p	£8	-4.7p	7.2p	£12
City of London	£8,889.6ph	-.1p	13.9p	£72	-.1p	20.4p	£106	-.2p	26.9p	£140
Camden	£179.1ph	-7.6p	22.4p	£80	-11.1p	32.9p	£118	-14.7p	43.4p	£156
Greenwich	£40.3ph	-7.9p	6.3p	£14	-13.8p	11.1p	£24	-19.8p	15.8p	£34
Hackney	£45.4ph	-8.4p	7.9p	£20	-14.7p	13.8p	£34	-21.0p	19.7p	£49
Hammersmith and Fulham	£16.7ph	-2.8p	3.0p	£8	-4.9p	5.3p	£13	-7.0p	7.6p	£19
Islington	£72.9ph	-7.7p	12.8p	£38	-13.4p	22.4p	£66	-19.2p	32.0p	£95
Lambeth	£64.3ph	-8.7p	11.3p	£28	-15.2p	19.8p	£49	-21.8p	28.3p	£69
Lewisham	£75.1ph	-23.8p	12.5p	£29	-41.6p	22.0p	£51	-59.5p	31.4p	£73
Southwark	£79.0ph	-8.1p	12.9p	£29	-14.1p	22.7p	£51	-20.2p	32.4p	£73
Tower Hamlets	£138.0ph	-8.7p	16.9p	£42	-15.3p	29.6p	£74	-21.8p	42.2p	£106
Haringey	£15.2ph	-4.4p	3.2p	£8	-7.8p	5.6p	£14	-11.1p	8.0p	£20
South Yorkshire	£22.2ph	-4.5p	5.1p	-	-7.9p	8.9p	-	-11.3p	12.7p	-
Tyne and Wear	£6.1ph	-1.5p	1.5p	-	-2.7p	2.6p	-	-3.8p	3.7p	-
ILEA	£30.7ph	-1.4p	3.8p	-	-2.4p	6.6p	-	-3.4p	9.4p	-

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ANNEX D

ALTERNATIVES TO DOMESTIC RATES

I SCOPE OF THE CONSULTATION DOCUMENT

1. The interdepartmental study of 1980 undertook a preliminary review of all the main alternatives to domestic rates. They were assessed against seven criteria:

(i) practicability;
(ii) cost of administration;
(iii) perceptibility and accountability;
(iv) financial control in local government;
(v) equity between taxpayers;
(vi) compatibility with the Government's fiscal strategy;
(vii) suitability for all tiers of local government.

2. These criteria, especially those of practicability and cost, suggested that some of the possibilities could be eliminated without further study, namely:

Payroll tax
Duties on alcohol, tobacco, petrol
Charges for licences for sale of alcohol or petrol
Vehicle licence duties
Local development land tax.

The remaining options were judged to be

Local Income Tax (LIT)
Local Sales Tax
Poll Tax.

3. A fourth possibility was identified: that local authorities should lose their independent revenue-raising powers and become wholly dependent on exchequer grant; or assigned revenues. This approach was not recommended, because it would tend to undermine local authorities' independence. However it finds favour with many ratepayers' action groups and should therefore be the subject of further consultation.

4. The consultation document will need to review possible reforms of domestic rates and compare their benefits with those of the alternative taxes.

5. Abolition of domestic rates would have implications for non-domestic rates. The interdepartmental study pointed to the need to maintain an equitable balance between non-domestic rates and any new tax that was introduced. This issue will need to be dealt with in the consultation document.

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6 ~~5~~. The interdepartmental study did not study the problems in depth. There are many aspects that need more detailed exploration, for example:

(i) the economic implications of alternative taxes, including redistributive effects between different household types and income groups and different parts of the country, and likely consequences for the retail price index;

(ii) interactions with the fiscal policies of central government;

(iii) interactions with the grant system and with non-domestic rates;

(iv) allocation of revenue to the different tiers of local government;

(v) practical problems of organising and administering alternative local taxes;

(vi) tax collection costs falling on employers or traders;

(vii) EEC aspects;

(viii) timing constraints, eg arising out of the computerisation programmes in Inland Revenue and Customs and Excise.

7 ~~6~~. It will not be possible to make substantial progress on these issues before the consultation document is published in the autumn. Work will have to proceed during the consultation period.

II <u>PROGRAMME OF WORK</u>

8 ~~7~~. It is suggested that an interdepartmental group of officials should be set up immediately, under the chairmanship of the Department of the Environment. Its first task would be to prepare a framework for the consultation document, which Ministers would be invited to approve in July.

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9~~8~~. The group would then prepare a draft consultation document for Ministers to consider later in the summer, with a view to publication in September or October.

10~~9~~. It would concurrently draw up a programme of further work and a timetable for consultation and decision. This would enable Ministers to take a considered view, before the consultation document is published, as to whether they wish to complete consultations and take substantive decisions on alternative taxes by early 1982, with a view to legislation in the Session of 1982-83, or whether they prefer to publish a White Paper first (perhaps in the summer of 1982), and legislate in the first year of the next Parliament.

3F.

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FST

cc Sir A Rawlinson
Mr Barratt
Mr Battishill
Mr Bridgeman
Mr Kitcatt
Mr Monck
Mrs Woods
Mrs Diggle
Mr Griffiths

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon M Heseltine PC MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1

16 June 1981

Dear Michael

LIMITING RATES

As you know, I am anxious that we should consider the option of limiting rate increases as part of our deliberations on the future of local government finance. My officials showed me an early draft of the paper you were circulating to E Committee later this week. I do broadly support the measures you propose, but I should also like to see this possibility put forward for consideration.

I do not underestimate the difficulties involved in capping rates. In particular, I am concerned that we should not engineer a situation which could actually worsen the general economic prospect by increasing local authorities' propensity to borrow. But I do believe that it is possible to devise a way of putting pressure on rate increases and local authority expenditure directly without taking unaccepatble risks. Such a strategy would be aimed at maximising the return we would hope to achieve for the row we shall inevitably provoke with measures such as those your paper will canvass.

I should therefore like to circulate a paper making this suggestion for discussion at the same time as yours. I attach a draft. It is intended to supplement and support your ideas. I believe that this joint approach offers real political dividends.

I should of course be glad to discuss my ideas with you, if you feel that would be useful.

I am copying this letter to Geoffrey Howe, with whom I have discussed my paper already.

Yours

Leon

LEON BRITTAN

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Draft E paper

E(81) Copy no.

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

CONTROL OF LOCAL AUTHORITY EXPENDITURE AND RATES

Memorandum by the Chief Secretary to the Treasury

The most intractable problem we have encountered in dealing with local government finance is the increasing gap between our perception of the level of local authority current expenditure consistent with our economic objectives, and what local authorities actually decide to spend. Michael Heseltine's proposals, described in E(81)[ ], should go a long way toward improving our influence over local authorities; but I think we should also consider limiting more directly local authorities' ability to undertake expenditure beyond the level indicated in the public expenditure white paper.

2. I recognise that this step would be represented as altering the constitutional relationship between central and local government in this country in a way which is, in principle, unattractive. But this relationship has been dependent on an acceptance by local Government that it should accept the firm guidance of central government as to the extent of its spending. That acceptance has in effect disappeared and we cannot continue to tolerate a situation in which local authorities are, effectively, free to wreck our economic strategy. We cannot separate local authority expenditure, borrowing and their financial consequences from the rest of the economy. Accordingly, I think we should examine the case for radical action to tackle the deep seated problem of local authority expenditure which we discussed at the 18th meeting of this Committee. Measures of the sort discussed in this paper would be particularly valuable if, as seems likely, it would take a considerable time to introduce a substitute for domestic rates.

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Capping rates

3. There are two broad types of measure we could consider:-

(i) imposing absolute limits on local authority current expenditure some way above grant related expenditures (GRE's) so as to allow a little flexibility;

or (ii) setting limits on rate increases, determined on a sliding scale inversely related to expenditure excess compared to GRE. This would permit overspenders lower maximum rate increases than the generality of authorities.

In either case it would also be essential to take steps to control local authority borrowing (see paragraph 9 below). Moreover, the legislation enabling these powers would need to include provisions permitting us as a last resort to appoint Commissioners who would be sent in to authorities which defied the guidelines. These options are examined further in the annex.

4. Either type of control would build on the Rate Support Grant (RSG) distribution arrangements in a way which should put pressure on local authorities to moderate their current expenditure. In both cases the pressure would be greatest on the most profilgate authorities, but (ii) would also limit the extent to which low spending authorities could increase their expenditure. This kind of policy should therefore strengthen our influence over local authority current expenditure.

5. It would not, however, be free of difficulty. We would risk taking the blame for high rate increases if they fell within the guidelines (which would of course have to be set sufficiently generously to focus the area of conflict to manageable propostions). We should also need to cope with any transitional instability in the money markets which might result from qualification of local authorities' ability to raise rates, upon which the security of their borrowing is generally founded.

6. We have already grasped nettles such as these in the powers George Younger has taken to contain local authority expenditure and borrowing in Scotland. I think the balance of advantage lies in adopting one or other form of this kind of approach for all local authorities. In principle my preference would be for the direct approach (i) but in practice I appreciate that it might be more politically sensible to have a system based on existing rates such as (ii).

Time-scale

7. If modified by the changes sketched out in this paper the new financial framework for local government would have substantial merits over the present arrangements. Therefore I propose, as a minimum, that limitation of rate increases or total spending should be included in the discussion of the rating system in the consultative document which Michael Heseltine has promised for the autumn. Consideration of comparable limitations will also be needed in the Section, of the document discussing alternative taxes such as local income tax or a local sales tax.

8. In principle it would be advantageous to take action such as this to get to grips with local authority expenditure as soon as possible. This would point to including powers to control rates or expenditure among the measures for which Michael Heseltine will be legislating next session. But there is a question whether it would be possible to think through the necessary steps and draft appropriate legislation in time. We should need to ensure that the limits specified were consistent with the other steps Michael Heseltine is proposing, notably restrictions on supplementary rates and non-domestic rates.

Borrowing

9. Controlling rates, either directly or indirectly, would make no sense at all if we do not at the same time take steps effectively to limit local authority borrowing. Otherwise any rate control

policy we adopt could easily be vitiated in a damaging and obvious way.

10. Officials have recently reported on the steps which would be needed to control local authority borrowing, and the Ministers primarily concerned have had a preliminary discussion. Further work would be needed to develop a control scheme consistent with a rate or direct expenditure control mechanism. The alternatives include tight control (eg by external financing limits) on the borrowing of the most profligate authorities; and less direct pressure by restricting local authorities' access to borrowing finance for capital expenditure. There might be a case for introducing a control on borrowing, which might not need legislation before a restriction on rates or expenditure took effect. This would prevent forestalling or avoidance of the purpose of the rate limit.

11. I therefore propose that further work on the development of a borrowing limitation or control should proceed in parallel with, and as a necessary adjunct to, a scheme to limit rates or current expenditure.

Conclusion

12. I invite colleagues to agree:

(a) that consideration of limiting rate increases or expenditure should be included in the consultation document to be published in the autumn;

(b) that legislation to limit rate increases would be desirable as soon as possible, if the practical difficulties of drafting can be overcome;

and (c) that officials should consider further how local authority borrowing could be contained as a necessary parallel step.

HM TREASURY
Parliament Street
LONDON SW1
June 1981

Annex: methods of limiting rates

Paragraph 3 identifies two types of limit:

(i) on expenditure directly;

or (ii) on rates directly,

in both cases with headroom to allow flexibility at local authority level.

2. Both build on the block grant system and in particular grant related expenditure (GRE's) as determinants of need to spend for each authority. GRE's would need to be more robust than they are at present to stand the weight of being used as operational guidelines; but this is a problem we shall need to tackle in any event in order to set local authorities targets for future expenditure and also in order to make the proposals on supplementary rates acceptable.

3. The main virtue of (i) is that it would restrict the area of confrontation to those authorities whose expenditure exceeded a threshold well beyond GRE. It would be necessary to fix this threshold at a level which restricted the number of local authorities in conflict with the guidelines to a manageable number. Initially this might point to a threshold well above GRE.

4. A scheme on the lines of (i) would have the advantage that it would address the problem of controlling current expenditure directly. It would work best in circumstances such as in Wales where most authorities' spending is not too different from GRE.

5. Option (ii), a flexible rate ceiling, could offer a workable compromise solution which went rather further to recognise local authorities' autonomy. Most local authorities - those spending, say, at or below GRE + 10% - would be set a maximum rate increase which allowed a significant amount of headroom above the rate increase which would be required by a local authority spending

exactly in line with the government's plans. Overspenders - ie those spending more than 10% above GRE - would be permitted progressively lower rate increases, the lowest possible allowed maximum rate increase being approximately such as to impose a squeeze on current expenditure equivalent to a few per cent of the previous year's actual expenditure. This should force cuts on the worst overspenders, and intensify the pressure on other overspenders, in a controlled way.

6. For example, if such a scheme were to apply in 1982-83, a local authority spending in line with the government's public expenditure plans in both 1981-82 and 1982-83 might be expected to need a rate increase equal to the government's cash repricing ractor less the planned volume squeeze, ie 7%-1%= 6% (assuming no change in the grant percentage). This would be the average rate increase if all local authorities spent and rated in line with central assumptions. Allowing headroom for rebuilding balances etc the prescribed maximum rate increase for most local authorities might be 15% (or perhaps even 20% in the first year). The prescribed lowest rate increase limit, applicable say to local authorities spending at GRE + 50% or more, might require an expenditure reduction of 3% (much more than this might be impractical and so open to challenge in the courts) so that the very worst overspenders might be allowed rate increases of only 6% - 3% = 3%. Local authorities spending at levels between GRE + 10% and GRE + 50% would be permitted rate increases up to limits on sliding scale between 15% and 3%, eg on straight line slide, authorities spending at GRE + 20%, 30% and 40% would face rate increase limits of 12%, 9% and 6% respectively.

7. This example is illustrative rather than definitive. It suggests that option (ii) too could offer a means of limiting confrontation with local authorities to the few most profligate. It has the merit of attacking directly the most sensitive aspect of the public perception of local government, although its influence on expenditure would be less direct.

Local Govt

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

16 June 1981

Dear Mike, MAP

ORAL STATEMENT ON THE STODART REPORT ON LOCAL GOVERNMENT IN SCOTLAND

Thank you for your clearance in response to my letter of 12 June.

I now attach for your information a revised draft of the Statement which, as you say, is now to be made tomorrow Wednesday 17 June.

The first object of the revisions is to make the Statement shorter. The second is to adjust the references (in the fourth paragraph) to the two-tier system. These amendments are as far as my Secretary of State thought it prudent to go, in response to comments from the Secretary of State for the Environment. Our basic difficulty is a commitment to the maintenance of the two-tier system, in the Scottish Conservative Party Manifesto of 1979. But it is also worth noting that our regional authorities are altogether different bodies from the English metropolitan counties. The differences can be clearly explained if any proposals emerge to change the responsibilities of the latter bodies; and if that were to happen, we in Scotland would in any case want simply to see how any English changes worked. The two cases can be distinguished quite clearly, and I hope that DOE will find the revised draft acceptable.

I am copying this letter to David Heyhoe (Leader of the House's Office), Michael Pownall (Lords Chief Whip's Office), David Edmonds (DOE), John Craig (Welsh Office), Tony Mathews (Chief Secretary's Office), David Wright (Cabinet Office) and to Bernard Ingham.

Yours ever,

Godfrey Robson

GODFREY ROBSON
Private Secretary

E.R.

THE STODART REPORT: STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND

With permission Mr Speaker I wish to outline to the House the Government's conclusion on the recommendations of the Committee of Inquiry into Local Government in Scotland which sat under the Chairmanship of my noble Friend, Lord Stodart of Leaston, to review the working relationships among local authorities in Scotland and to recommend whether any transfer or rationalisation of functions was desirable and consistent with maintaining the viability of the existing authorities. The Committee's Report was presented to Parliament in January, and I have considered the comments received since then. I am making available in the Vote Office a detailed supplementary statement of our conclusions on each of the recommendations.

The Committee recorded 72 conclusions and recommendations and we have decided to accept about 60 - subject in some cases to minor variations - and to consider a further 7 in the context of the separate review of Scottish roads legislation about which my Department recently issued a Consultation Document.

I comment now on some of the major issues raised by the Committee.

They emphasised that a change to a system of all- or most-purpose authorities would involve a major change in the structure of local government, and suggested that if this was to be pursued it should be examined specifically on a country-wide basis. The Committee did not however recommend that such an examination should take place and as my hon Friend has already indicated to the House the Government does not propose now to reopen the question of whether or not there should be a single tier system of local government in Scotland. We consider that the present Scottish system is basically sound and that the upheaval and expense of further major reorganisation would not be justified. In particular we accept the Committee's conclusions that most-purpose status for the 4 city districts could not be achieved without prejudicing the viability of the surrounding Regions, and therefore that a marked move towards all-purpose status could not be justified.

However, like the Committee we do see some scope for some redistribution of functions between Regional and District authorities to reduce the extent of concurrency, particularly in the field of industrial promotion and leisure and recreation, on which our decisions are as follows.

The majority recommendation that industrial development powers should be confined to regional authorities prompted specific reservation and dissent within the Committee. Reactions since the publication of the Report have emphasised the important role which districts play in providing and enhancing local employment opportunities. I have concluded that it would not be right to deprive districts of their powers to provide factories and mortgages for industrial purposes and I do not propose to change the present powers available to them for industrial development: but I agree with the majority of the Committee that all powers of promotion outside their areas should be concentrated on the Regions. Moreover I intend that any overseas promotion expenditure by Regions should be subject to the consent of the Secretary of State. Thus Regions and districts will have the same powers available to them as at present to encourage local employment but the concentration of promotion powers on the Regions will I hope facilitate co-operation and co-ordination of external publicity efforts. This decision will greatly simplify the task of the new Locate in Scotland Unit, set up recently in response to a Report of the Select Committee on Scottish Affairs.

We accept the Committee's recommendations that in general district councils alone should have comprehensive responsibilities for leisure and recreation functions. Similar considerations apply in countryside matters but because some facilities have a significance beyond the district boundaries we believe that there should be a defined continuing role for the Regions.

In some cases it will be possible to implement our conclusions by administrative action, after further consultation with the Convention of Scottish Local Authorities, but many of the proposals will require legislation.

We owe a considerable debt to my noble Friend Lord Stodart and his Committee for the work they did under very considerable pressure. The best proof of our appreciation of their work is the very high proportion of their conclusions which we now accept and our determination to implement them soon.

SCOTTISH OFFICE
16 JUNE 1981

COMMITTEE OF INQUIRY INTO LOCAL GOVERNMENT IN SCOTLAND
STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND ON THE
GOVERNMENT'S CONCLUSIONS ON THE REPORT

1. In December 1979 I announced the setting up of a Committee of Inquiry into Local Government in Scotland, under the chairmanship of the Rt Hon Lord Stodart of Leaston, with the following terms of reference:

"With a view to improving the effective discharge of functions by Regional. Islands and District Authorities -

(i) to review the working relationships among the new authorities since 15 May 1975;

(ii) to recommend whether any transfer or rationalisation of functions between them is desirable and consistent with fully maintaining the viability of the existing authorities; and

(iii) to report by December 1980".

When the Report was published on January 28, 1981, as Cmnd 8115, I invited comments by 31 March 1981 on its conclusions and recommendations.

2. The comments received confirm the Government's view that the Committee have done well in identifying the areas of concern and in making constructive recommendations to reduce to a minimum the overlapping and concurrent functions of regions and districts. The Government accept the principles behind the great majority of the recommendations directed to this end and regard them as a basis for administrative action and legislation as appropriate.

3. A summary of the Committee's recommendations is attached as an Annex to this note, annotated to show the Government's response to each recommendation. The following paragraphs summarise these conclusions.

4. <u>All- or Most-Purpose Authorities</u>

In the light of the Committee's Report we are confirmed in our view that the two-tier system of local government in Scotland is basically sound and that the upheaval and expense of further major reorganisation would not be justified at this time. We do not propose therefore to examine the feasibility of a system of all- or most-purpose authorities. We accept the Committee's conclusion (No 2) that most-purpos status for the four city districts could not be achieved without prejudicing the basic concept of the two-tier system and the interdependence between region and city, and that within such a structure enhanced status cannot be justified for the cities or any other districts (No 3).

5. Planning

We accept recommendations 4 to 8 and 10 to 12. We do not accept recommendation 9 - .. that highway authorities should be given powers of direction on planning applications in relation to matters affecting road safety and traffic management - because whilst accepting the importance of consultation on traffic matters we believe that the recommendation would be likely to extend rather than reduce concurrent interests. Full powers of decision, we consider, should rest with the planning authority - which has to consider all aspects of the application.

6. Infrastructural Services

We agree with recommendations 13, 14, 20, 23 and 24, that part of recommendation 17 which allocates responsibility for roadside seats to districts and with that part of recommendation 19 which suggests that the power to provide street nameplates should rest with districts. We wish however to consider further the recommendations relating to roads matters (15, 16, 17 (part), 18, 19 (part), 21 and 52) in the context of the wider review of roads legislation about which the Scottish Office recently issued a consultation document. We also agree with the spirit of recommendation 22 but believe that closer co-operation between housing developers and sewerage authorities can be achieved without further legislation; and we shall be working towards this end.

7. Housing, Education and Social Work

Subject to approval of SDD minute of 10 June

We agree with recommendations 25, 27, 28 [and 30, but do not accept recommendation 26 that only housing authorities should be empowered to contribute towards the cost of adapting housing for the disabled. We believe that the status quo should remain, but that the Scottish Office should review in consultation with the Convention of Scottish Local Authorities the existing advice to local authorities with a view to clarifying responsibilities. We do not accept recommendation 29 that the present arrangements should be revised so that the wardens of sheltered housing would be appointed by districts rather than regions. We think that responsibility should remain with social work authorities.]

8. Industrial Development

The effect of recommendation 31 would be that all industrial development powers would be removed from the districts. We are conscious that this recommendation is the only one in the Report which prompted specific reservation and dissent within the Committee. The weight of representations received since publication of the Report has been strongly against the complete removal from districts of powers in support of industrial development. After careful consideration we have concluded that districts should continue to exercise their powers to provide factories and mortgages concurrently with the regions. At the same time, we consider that responsibility at local government level for promotional activity in respect of industrial development outside the area of the local authority concerned should lie at regional level. We have therefore decided that the present general powers which allow expenditure on industrial promotion should be made specific and should be concentrated on the regions. In the interests of co-ordination of the attraction of inward investment, a requirement will be introduced for regions to obtain the Secretary of State's approval before overseas expenditure is incurred. Since districts are to retain a substantial part of their existing industrial development function, we do not think it necessary to provide statutorily for the establishment of industrial development committees, as recommended in the Report.

9. Leisure and Recreation

We agree with the main thrust of recommendations 32 and 33 that the leisure and recreation function should be concentrated at district level and that regions should be able to assist with the costs of large-scale facilities which serve a wider area than that of the district council providing them. We do not however agree with that part of recommendation 34 which suggests that all free-standing community centres should be transferred to the appropriate district council. Representations since the Report was published have shown widespread opposition to this recommendation. The nature of the activities within community centres varies from area to area across a wide spectrum of social work, voluntary service and leisure and recreation. It seems best therefore that the main responsibility for the management of community centres should be determined locally in the light of local circumstances.

10. We agree with recommendations 35 and 36. While we agree with the implication of recommendation 37 that national bodies should not be wholly dependent on financial support from local authorities, many authorities wish to assist these bodies and we believe that they should not depend entirely on support from the Scottish Arts Council; we therefore hope that financial support will continue to be given from both sources.

11. Countryside etc.

We agree basically with recommendations 38, 39 and 40 that responsibilities for countryside, nature conservation and caravan matters should be concentrated at district level. /There are certain exceptions to this general principle, however, which we consider have to be made to reflect the fact that regional authorities have a role to play in providing countryside facilities of more than local significance. Powers related to long distance routes, country and regional parks, access management agreements and the improvements of waterways and reservoirs for recreational use should be available to regions./ In relation to nature conservation we believe that because of the planning implications, the three general planning authorities (ie Borders, Dumfries and Galloway and Highland Regional Councils) should retain their existing responsibilities; while, in respect of caravan sites, we consider that regional councils should keep their power to provide sites for travelling people without a licence.

12. Tourism

We agree with recommendations 41 and 42 that responsibility for tourism matters should be concentrated at district level and that their activities should be co-ordinated by the Scottish Tourist Board. The Minister for Home Affairs and the Environment has already confirmed that the Government do not accept recommendation 43 - that the Scottish Tourist Board should be given sole powers to promote Scottish tourism overseas - but we have announced other arrangements to improve the marketing of Scotland abroad. We agree with conclusion 44 that there need be no change in the existing arrangements for the promotion and development of tourism in the area of the Highlands and Islands Development Board.

13. Environmental Services

We agree with recommendations 45 to 49. Recommendation 50 is acceptable although we believe that the power to provide litter bins should be retained by highway authorities as well as by districts. Recommendations 51 and 53 to 57 are also acceptable. Recommendation 52 will be considered in the context of the review of roads legislation.

14. Transport

We accept recommendations 58 and 59, the latter extended slightly to enable districts to contribute towards the costs of construction, repair and improvement as well as the maintenance of harbours used partially or solely for recreational purposes.

15. The Protective Services

We accept recommendations 60 and 61.

16. Miscellaneous

We accept recommendations 62 to 65 and recommendations 68,69 and 71. We do not accept recommendation 66, that local authority members should be paid a basic salary instead of a daily attendance allowance. The concept of a salary for councillors was considered and rejected by the Robinson Committee which,unlike the Stodart Committee,was charged specifically with examining councillors' remuneration and reported in 1977 (Cmnd 7010). While we recognise the defects of the attendance allowance system commented on by the Stodart Committee, the Government are not persuaded that the arguments for rejecting a salary in 1977 are any less compelling now. The Government have already introduced powers to allow the payment of responsibility payments for councillors performing special duties.

17. We accept the first part of recommendation 67 that control of public processions should be vested in regions alone, but comments have shown considerable opposition to the recommendation that regions should fix local holidays. Much importance is attached to the maintenance of local customs and we have therefore decided to make no change in existing arrangements. We accept recommendation 70 in as much as it suggests that only district councils should have specific powers to give general financial support to community councils, but we believe that this should not exclude regional councils from assisting specific community council activities or projects under powers available to them to assist voluntary bodies.

18. Finally the Government accept the spirit of recommendation 72 that adequate financial arrangements must accompany any change in the responsibilities of councils. We believe that acceptance of the recommendations as shown above should not justify any net increase in public expenditure; indeed the reduction in concurrency should reduce duplication and encourage savings. What will be needed is consideration of the implications for the existing distribution of rate support grant of any significant changes in responsibilities between tiers; discussion about that will take place within the existing arrangements for consultation with the Convention on rate support grant matters.

19. <u>Conclusion</u>

We believe that changes on these lines will be widely welcomed and will be seen as positive steps towards removing confusing areas of overlap and concurrency.

20. The Government believe that it is important that the period of any continuing uncertainty should be kept to a minimum, and I propose now to begin urgent consultations with the Convention and other interested parties about the form of legislation which I hope can become effective from April 1983.

Scottish Office
June 1981

JL MFJ.

10 DOWNING STREET

From the Private Secretary

15 June 1981

BF for Hansard

Dear Godfrey

Thank you for your letter of 12 June, enclosing the draft of a statement which your Secretary of State would like to make this week on the Stodart Report on Local Government in Scotland.

The Prime Minister is content with the draft, subject to any comments from colleagues. I understand that the statement is now scheduled for Wednesday.

I am sending copies of this letter to Nicholas Huxtable (Office of the Chancellor of the Duchy of Lancaster), Michael Pownall (Government Whips' Office), David Edmonds (Department of the Environment), John Craig (Welsh Office), Terry Mathews (HM Teasury) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

Godfrey Robson Esq
Scottish Office

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1.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

Content for Mr Younger to make this statement on Tuesday? [or Wednesday, if Mr Walker is ready to report on the Council by Tuesday]

MAP 12/

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

12 June 1981

Dear Mike,

Yes

ORAL STATEMENT ON THE STODART REPORT ON LOCAL GOVERNMENT IN SCOTLAND

I attach for clearance a draft of the statement my Secretary of State hopes to make next Tuesday, 16 June, on the action to be taken on this Report.

As you will see, the oral statement will be fairly brief and concentrate on one or two main points. It refers to a fuller statement of the Government's conclusions, copies of which will be placed in the Vote Office. I attach, for information, a copy of the fuller written statement.

All of this reflects the conclusions reached at H Committee on 8 June.

I am sending copies of this letter and of the enclosure to David Heyhoe (Leader of the House's Office), Michael Pownall (Lords Chief Whip's Office), David Edmonds (DOE), John Craig (Welsh Office), Tony Mathews (Chief Secretary's Office), David Wright (Cabinet Office) and to Bernard Ingham.

Yours ever,

Godfrey Robson

GODFREY ROBSON
Private Secretary

THE STODART REPORT: STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND

With permission Mr Speaker I wish to outline to the House the Government's conclusion on the recommendations of the Committee of Inquiry into Local Government in Scotland.

In December 1979 I appointed the Committee under the Chairmanship of my ~~rt honourable and~~ noble Friend, Lord Stodart of Leaston, to review the working relationships among local authorities in Scotland since reorganisation in 1975 and to recommend whether any transfer or rationalisation of functions was desirable and consistent with maintaining the viability of the existing authorities. I received the Report of the Committee in December 1980 and it was presented to Parliament in January this year. On publication I invited comments, and in the light of these I can now indicate my general reaction to the Committee's recommendations. I have made available in the Vote Office a detailed supplementary statement of conclusions on each of the recommendations.

The Committee recorded 72 conclusions and recommendations and we have decided to accept more than 60 - subject in some cases to minor variations - and to consider a further 7 in the context of the separate review of Scottish roads legislation about which my Department recently issued a Consultation Document.

I comment now on some of the major issues raised by the Committee.

The Committee emphasised that a change to a system of all- or most-purpose authorities would involve a major change in the structure of local government, and suggested that if this was to be pursued it should be examined specifically on a country-wide basis. The Committee did not however recommend that such an examination should take place and as my hon Friend has already indicated to the House the Government does not propose now to reopen the question of whether or not there should be a single tier system of local government in Scotland. We consider that the present two-tier system is basically sound and that the upheaval and expense of further major reorganisation would not be justified. In particular we accept the Committee's conclusions that most-purpose status for the 4 city districts could not be achieved without prejudicing the basic concepts of the two-tier system and and interdependence of Region and city, and therefore that a marked move towards all-purpose status could not be justified.

However, like the Committee we do see some scope for some redistribution of functions, to reduce the extent of concurrency between Regional and District Authorities, particularly in the field of leisure, recreation and industrial promotion. We accept most of the recommendations designed to eliminate concurrency. This should make for more efficient use of resources and clarify the lines of responsibility and accountability between authorities and their electorates.

There are two major issues affecting particular services to which I draw the attention of the House.

First, the majority recommendation that industrial development powers should be confined to regional authorities prompted specific reservation and dissent within the Committee. Reactions since the publication of the Report have emphasised the important role which districts play in providing and enhancing local employment opportunities. I have concluded that it would not be right to deprive districts of their powers to provide factories and mortgages for industrial purposes and I do not propose to change the present powers available to them for industrial development: but I agree with the majority of the Committee that all powers of promotion outside their areas should be concentrated on the Regions. Moreover I intend that any overseas promotion expenditure by Regions should be subject to the consent of the Secretary of State. Thus Regions and Districts will have the same powers available to them as at present to encourage local employment but the concentration of promotion power on the Regions will I hope facilitate co-operation and co-ordination of external publicity efforts. This decision will greatly simplify the task of the new Locate in Scotland Unit, set up recently in response to a Report of the Select Committee on Scottish Affairs.

Second, we accept the Committee's recommendations that in general District Councils alone should have comprehensive responsibilities for leisure and recreation functions, but that because some facilities in this field have a significance beyond the district boundaries there should be a defined continuing role for the Regions. Similar considerations apply in countryside matters. I am confident that the changes we propose will considerably simplify responsibility for the provision of such facilities throughout Scotland.

In some cases it will be possible to implement our conclusions by administrative action, after further consultation with the Convention of Scottish Local Authorities, but many of the proposals will require legislation.

We owe a considerable debt to my ~~right honourable and~~ noble Friend Lord Stodart and his Committee for the work they did under very considerable pressure. The best proof of our appreciation of their work is the very high proportion of their conclusions which we now accept and our determination to implement them soon.

SCOTTISH OFFICE
12 JUNE L981

COMMITTEE OF INQUIRY INTO LOCAL GOVERNMENT IN SCOTLAND
STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND ON THE GOVERNMENT'S CONCLUSIONS ON THE REPORT

1. In December 1979 I announced the setting up of a Committee of Inquiry into Local Government in Scotland, under the chairmanship of the Rt Hon Lord Stodart of Leaston, with the following terms of reference:

"With a view to improving the effective discharge of functions by Regional. Islands and District Authorities -

(i) to review the working relationships among the new authorities since 15 May 1975;

(ii) to recommend whether any transfer or rationalisation of functions between them is desirable and consistent with fully maintaining the viability of the existing authorities; and

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When the Report was published on January 28, 1981, as Cmnd 8115, I invited comments by 31 March 1981 on its conclusions and recommendations.

2. The comments received confirm the Government's view that the Committee have done well in identifying the areas of concern and in making constructive recommendations to reduce to a minimum the overlapping and concurrent functions of regions and districts. The Government accept the principles behind the great majority of the recommendations directed to this end and regard them as a basis for administrative action and legislation as appropriate.

3. A summary of the Committee's recommendations is attached as an Annex to this note, annotated to show the Government's response to each recommendation. The following paragraphs summarise these conclusions.

4. <u>All- or Most-Purpose Authorities</u>

In the light of the Committee's Report we are confirmed in our view that the two-tier system of local government in Scotland is basically sound and that the upheaval and expense of further major reorganisation would not be justified at this time. We do not propose therefore to examine the feasibility of a system of all- or most-purpose authorities. We accept the Committee's conclusion (No 2) that most-purpose status for the four city districts could not be achieved without prejudicing the basic concept of the two-tier system and the interdependence between region and city, and that within such a structure enhanced status cannot be justified for the cities or any other districts (No 3).

5. <u>Planning</u>

accept recommendations 4 to 8 and 10 to 12. We do not accept recommendation 9 - that highway authorities should be given powers of direction on planning applications in relation to matters affecting road safety and traffic management - because whilst accepting the importance of consultation on traffic matters we believe that the recommendation would be likely to extend rather than reduce concurrent interests. Full powers of decision, we consider, should rest with the planning authority - which has to consider all aspects of the application.

6. <u>Infrastructural Services</u>

We agree with recommendations 13, 14, 20, 23 and 24, that part of recommendation 17 which allocates responsibility for roadside seats to districts and with that part of recommendation 19 which suggests that the power to provide street nameplates should rest with districts. We wish however to consider further the recommendations relating to roads matters (15, 16, 17 (part), 18, 19 (part), 21 and 52) in the context of the wider review of roads legislation about which the Scottish Office recently issued a consultation document. We also agree with the spirit of recommendation 22 but believe that closer co-operation between housing developers and sewerage authorities can be achieved without further legislation; and we shall be working towards this end.

7. <u>Housing, Education and Social Work</u>

Subject to approval of SDD minute of 10 June

We agree with recommendations 25, 27, 28 [and 30, but do not accept recommendation 26 that only housing authorities should be empowered to contribute towards the cost of adapting housing for the disabled. We believe that the status quo should remain, but that the Scottish Office should review in consultation with the Convention of Scottish Local Authorities the existing advice to local authorities with a view to clarifying responsibilities. We do not accept recommendation 29 that the present arrangements should be revised so that the wardens of sheltered housing would be appointed by districts rather than regions. We think that responsibility should remain with social work authorities.]

8. <u>Industrial Development</u>

The effect of recommendation 31 would be that all industrial development powers would be removed from the districts. We are conscious that this recommendation is the only one in the Report which prompted specific reservation and dissent within the Committee. The weight of representations received since publication of the Report has been strongly against the complete removal from districts of powers in support of industrial development. After careful consideration we have concluded that districts should continue to exercise their powers to provide factories and mortgages concurrently with the regions. At the same time, we consider that responsibility at local government level for promotional activity in respect of industrial development outside the area of the local authority concerned should lie at regional level. We have therefore decided that the present general powers which allow expenditure on industrial promotion should be made specific and should be concentrated on the regions. In the interests of co-ordination of the attraction of inward investment, a requirement will be introduced for regions to obtain the Secretary of State's approval before overseas expenditure is incurred. Since districts are to retain a substantial part of their existing industrial development function, we do not think it necessary to provide statutorily for the establishment of industrial development committees, as recommended in the Report.

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We agree with the main thrust of recommendations 32 and 33 that the leisure and recreation function should be concentrated at district level and that regions should be able to assist with the costs of large-scale facilities which serve a wider area than that of the district council providing them. We do not however agree with that part of recommendation 34 which suggests that all free-standing community centres should be transferred to the appropriate district council. Representations since the Report was published have shown widespread opposition to this recommendation. The nature of the activities within community centres varies from area to area across a wide spectrum of social work, voluntary service and leisure and recreation. It seems best therefore that the main responsibility for the management of community centres should be determined locally in the light of local circumstances.

10. We agree with recommendations 35 and 36. While we agree with the implication of recommendation 37 that national bodies should not be wholly dependent on financial support from local authorities, many authorities wish to assist these bodies and we believe that they should not depend entirely on support from the Scottish Arts Council; we therefore hope that financial support will continue to be given from both sources.

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We accept recommendations 58 and 59, the latter extended slightly to enable districts to contribute towards the costs of construction, repair and improvement as well as the maintenance of harbours used partially or solely for recreational purposes.

15. The Protective Services

We accept recommendations 60 and 61.

16. Miscellaneous

We accept recommendations 62 to 65 and recommendations 68,69 and 71. We do not accept recommendation 66, that local authority members should be paid a basic salary instead of a daily attendance allowance. The concept of a salary for councillors was considered and rejected by the Robinson Committee which,unlike the Stodart Committee,was charged specifically with examining councillors' remuneration and reported in 1977 (Cmnd 7010). While we recognise the defects of the attendance allowance system commented on by the Stodart Committee, the Government are not persuaded that the arguments for rejecting a salary in 1977 are any less compelling now. The Government have already introduced powers to allow the payment of responsibility payments for councillors performing special duties.

17. We accept the first part of recommendation 67 that control of public processions should be vested in regions alone, but comments have shown considerable opposition to the recommendation that regions should fix local holidays. Much importance is attached to the maintenance of local customs and we have therefore decided to make no change in existing arrangements. We accept recommendation 70 in as much as it suggests that only district councils should have specific powers to give general financial support to community councils, but we believe that this should not exclude regional councils from assisting specific community council activities or projects under powers available to them to assist voluntary bodies.

18. Finally the Government accept the spirit of recommendation 72 that adequate financial arrangements must accompany any change in the responsibilities of councils. We believe that acceptance of the recommendations as shown above should not justify any net increase in public expenditure; indeed the reduction in concurrency should reduce duplication and encourage savings. What will be needed is consideration of the implications for the existing distribution of rate support grant of any significant changes in responsibilities between tiers; discussion about that will take plce within the existing arrangements for consultation with the Convention on rate support grant matters.

19. Conclusion

We believe that changes on these lines will be widely welcomed and will be seen as positive steps towards removing confusing areas of overlap and concurrency.

20. The Government believe that it is important that the period of any continuing uncertainty should be kept to a minimum, and I propose now to begin urgent consultations with the Convention and other interested parties about the form of legislation which I hope can become effective from April 1983.

Scottish Office
June 1981

SECRET

Yes - we cannot wait to restructure. We must go ahead with financial arrangements now.

Prime Minister
We are fixing a meeting with Mr Heseltine and others (probably Thursday) to discuss his draft E paper on rates. I suggest the meeting should also discuss these v. controversial proposals.

1 2

12th June 1981

Prime Minister

LOCAL GOVERNMENT FINANCE AND STRUCTURE

I shall shortly be putting to E my proposals for interim and long-term measures on local government finance. It will discuss, among other things, the procedures for consultation on the alternative taxes to domestic rates (E(81)18th item 2).

Our objectives include a fairer tax base, improvement in the control of local expenditure, and greater local accountability. In my earlier paper E(81)53 I argued (para 9) that a system of unitary authorities based on the non-metropolitan counties and the metropolitan districts would provide a better basis for alternative local taxes and be better understood by the electorate than the present arrangements. We did not pursue this in our discussions on 19 and 21 May, and at the time I let it rest. On further reflection,however, I think that I should now invite colleagues to take a view on the question of local government structure, so that we do not allow ourselves to close possible options by inadvertence.

In the two-tier system the accountability of the upper tier is concealed because its precept on the lower tier and does not bill the ratepayer direct. This arrangement is at its worst in London, where not only the Greater London Council but also the Inner London Education Authority and the Metropolitan Police precept upon the boroughs. As a result ratepayers areunnderstandably confused about which authority is responsible for which part of the rate bill. A recent Gallup survey suggested that only 22% of people could identify the 2 main local authorities in their area, and that only 40% could name one.

The task of controlling local government expenditure is difficult enough, and the lack of real local accountability makes it so much worse. My proposals for interim measures - restraining non-domestic rates and constraining the main rate through the use of supplementary rate demands - will go some way further to increase accountability. But so long as the structural deficiencies which I have referred to continue to exist, they will limit our ability to bring home to local electors the consequences of their council's spending decisions.

Hitherto we have set out faces against a further round of reorganisation so soon after 1974 on the grounds that it would be politically and financially insupportable. However, looking back over comments in the press since my statement on 2 June (for example, the Times on 3 June) and from Members of the House who have written or spoken to me recently, I am convinced that there is a rising tide of concern about the lack of accountability of local government. I think that most informed commentators would agree that a serious mistake was made when local government structure was considered separately from local government finance by the Redcliffe-Maud and Layfield commissions, since structure and the tax base interact so powerfully upon each other.

It may be argued that a further reorganisation will generate the kind of explosive growth in manpower and expenditure commonly associated with the 1974 reorganisation. But the reorganisation did not in fact precipitate a manpower explosion - that had proceeded apace for 20 years. The long-term trend of growth in local government manpower, from the mid 1950s was surprisingly consistent up to 1976, and its causes go much deeper than reorganisation in itself, the attached graph shows this. Since June 1979 we have succeeded, however imperfectly, in reversing the growth; and I do not believe that a further reorganisation, properly managed and coupled with appropriate expenditure policies, need compromise this.

There are several different ways in which we could handle these issues. We could take the subject head on and examine the possibility of moving to a single tier system throughout England and, perhaps, Wales. Or, as suggested in E(81)52, we could examine this option for Greater London and the metropolitan counties only. However, the masking of accountability is just as much a problem for the rest of the country. Or we could do nothing. This course, however, is not a real option, because questions of local government structure are bound to be raised in the process of consultation on alternatives to domestic rates, and we shall have to respond.

I recognise that if we decide to examine both the structural issue and the alternatives to rates, we shall not be able to legislate on either in this Parliament but we would be able to announce firm decisions before the election. If on the other hand we confine our work to the financial issue, legislation in the session 1982-83, although it involves a very tight timetable, may be possible.

I should welcome colleagues' views. In the light of them, I would hope to bring formal proposals before E Committee in due course. My own preferred view is that at the time I produce the draft consultative paper on finance to which we are committed for the autumn, I should produce for colleagues' consideration, and with the necessary inter-departmental co-operation, a paper showing how these financial alternatives might be affected by different forms of structure.

I am copying this letter personally to colleagues who attended the meetings of E Committee at which we discussed local government finance - Geoffrey Howe, Willie Whitelaw, Christopher Soames, Peter Walker, John Biffen, Keith Joseph, Jim Prior, David Howell, Leon Brittan, George Younger, Patrick Jenkin, Nick Edwards, Mark Carlisle, Norman Fowler, Tom King* and Sir Robert Armstrong. Because of the immense sensitivity of this issue, I have instructed that only one copy of this correspondence is kept in my Department outside the Private Office and would hope colleagues can see that similar security is maintained in their Departments.

[signature]

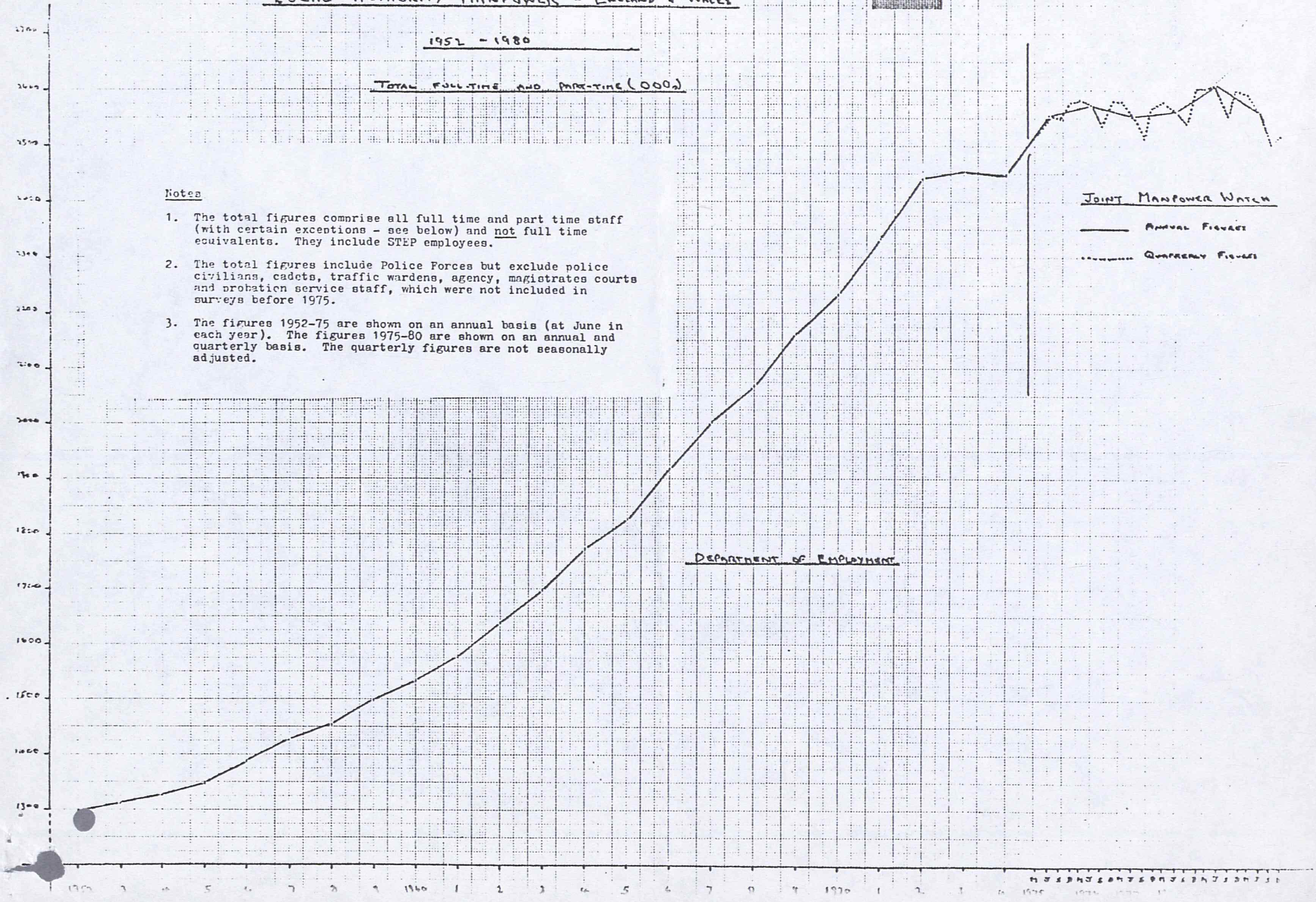
pp MICHAEL HESELTINE
(drafted by the Secretary of State and signed in his absence)

*Francis Pym, Peter Carrington, John Nott and Michael Jopling

LOCAL AUTHORITY MANPOWER - ENGLAND & WALES

1952 - 1980

TOTAL FULL-TIME AND PART-TIME (000s)



Notes

1. The total figures comprise all full time and part time staff (with certain exceptions - see below) and not full time equivalents. They include STEP employees.

2. The total figures include Police Forces but exclude police civilians, cadets, traffic wardens, agency, magistrates courts and probation service staff, which were not included in surveys before 1975.

3. The figures 1952-75 are shown on an annual basis (at June in each year). The figures 1975-80 are shown on an annual and quarterly basis. The quarterly figures are not seasonally adjusted.

TIMES 3.6.81

RATES OUT OF JOINT

When local councils draw up their budgets, they always allow a little extra for unforeseen events. Nowadays, Mr Heseltine regularly comes along afterwards and makes them take it out again. In the ordinary course of events, the year usually passes without the nest-egg being needed, and the eventual out-turn is lower than the budgeted figure.

It is hard to say how far Mr Heseltine's bumping-down activities affect the result. Budgets for the financial year two months old are about as far in percentages above the target for current spending as were those for last year, for which expenditure is expected to come within one or two per cent of the target when the sums are complete. The over budgeting councils include many Tory ones. But the strategic need to keep the closest restraint on public expenditure is so acute that Mr Heseltine's precaution is worth taking, so long as the accompanying sound and fury is not allowed to obscure the truth that local government has responded far better in recent years to appeals of this kind than departments of central government have.

This is so even though the Government's sanction of withdrawal of grant is a very imperfect one. Councils determined to maintain their spending can recoup the lost grant from the rates. After the local government elections, more councils than before may be ready to consider defiance of this kind. Mr Heseltine's undefined threats about immediate counter-action in the current year reflect that anxiety. His new block grant powers, intended to enable him to penalize overspending councils while leaving obedient ones unscathed, are useful in principle, but they were enacted in such a hurry that they penalize many councils that have done their best to conform while leaving big spenders scarcely affected. And since the Government's basic interest is in aggregate spending, councils of all colours have been too apt to respond by dropping services, rather than by trying to increase efficiency.

Ideally, of course, the extravagant council should be held in check through fear of its own electorate. That is the underlying principle of local accountability. But the prominence of national politics in the voters' minds and the shortcomings of the rates as a tax mean that this discipline operates only to a limited extent. Sixty per cent of local spending is paid for not by the ratepayer but from general taxation through the grant. Sixty per cent of the remainder is paid for not by the local elector but by the disenfranchized commercial ratepayer. In many cities the domestic rate is even less important, and it is often disguised for the payer by its incorporation into council rent demands; it may be no coincidence that many of the most resolutely extravagant councils hold sway in just such areas.

These weaknesses have been apparent for years, and grow increasingly harmful. Yesterday's promise of a major study of methods of replacing the rates altogether was hardly over-hasty for a party committed to abolition since the mid-seventies. But the factors which have made the Tories hesitate still apply. The rates have their faults, but so do all the alternatives which have been put forward. A local spending crisis this year or next might drive the Government to further hurried legislation threatening local independence in unpredictable and dangerous ways. But the point has been reached where real local discretion can only be safeguarded by means of a stable and widely acceptable reform of local finance.

THE HARASSMENT OF MR BANI-SADR

The campaign by Islamic fundamentalists in Iran against President Bani-Sadr seems to be gaining momentum. Two of the President's advisers have now been arrested on charges of bribery and corruption. Prominent supporters of Mr Bani-Sadr, including the Governor of the Central Bank, Mr Ali Reza Nowbari, have been harassed and threatened by the Revolutionary Guards. Liberal-minded newspapers have been closed down and then "allowed" to reopen. Most serious of all, the three man "conciliation commission" appointed by Ayatollah Khomeini to adjudicate between the moderate group around Mr Bani-Sadr and the hardline clergy of the Islamic Republican Party has found in favour of the that Mr Bani-Sadr has in fact violated the constitution. His main offence, judging by the commission's report, is that he refused to sign a Bill, already passed by the Majlis (Parliament), empowering the Government to appoint Ministers to those portfolios still vacant. Since the Majlis is dominated by the fundamentalists of the IRP, this has become something of a test case. But the constitution — although ambiguously worded on this as on other points — appears to give the President the power to vet Ministerial appointments, and it will take a great deal of legal wrangling to prove otherwise.

The vehemence of the fundamentalists' attacks on the President may well therefore be due week, the President defied attempts by the IRP to "outmanoeuvre me by insults and abuse", as he put it, and declared that he was not afraid of threats to put him on trial.

The armed forces remain Mr Bani-Sadr's principal base. The President is also commander in chief, and although setbacks in the Gulf War could yet undermine him, the fact that Iran has held off Iraqi attacks over a period of ten months has redounded to his credit. Above all, Mr Bani-Sadr's standing remains high among the Iranian people, who elected him by majority vote in the first place. The IRP's jibe that liberals of Mr Bani-Sadr's stamp spent a life of ease in Paris before the revolution and therefore

Local
GOVT

Ref: A05038

PRIME MINISTER

Local Authority Current Expenditure: Public Expenditure Survey Options
C(81) 28

BACKGROUND

On 7 May the Cabinet approved the Chancellor of the Exchequer's recommendations, in paragraph 19 of C(81) 20, for the guidelines for conducting the 1981 Public Expenditure Survey. In C(81) 28, the Secretary of State for the Environment argues that he should not be required to seek the views of local authorities on the consequences of 3 and 5 per cent options for reductions in 1982-83 and of 5 and $7\frac{1}{2}$ per cent in the later years. Although he recognises that it is public knowledge (following a detailed article in the Financial Times) that the Government is examining these options across the board, he argues that the exercise should be conducted 'in-house'. He is, however, willing to let the local authorities have the provisional inflation assumptions.

2. You will recall that the Cabinet had a long discussion on the options for reductions which were to be identified. It was recognised that for some programmes the application of such cuts would be politically indefensible and impracticable, and that the very discussion of the options - particularly where it was necessary to discuss them with outside bodies - could create needless and damaging uncertainty and misunderstanding. It was, nevertheless, agreed that the possibilities should be analysed for every programme. The record of your summing up of the discussion makes the status of the exercise very clear:-

> "Each Department should aim to identify realistic options for cuts, taking the opportunity to review the possibilities for radical changes and for the cutting out of main functions, and to bring out fully the implications of making the cuts identified. It should be clearly understood that the level of the costed options which were to be identified did not in any way represent a view by the Cabinet of the reductions in public expenditure which it might wish to make. The object of the present exercise was no more than to provide the Cabinet with a comprehensive analysis on which it could draw later in the year when it came to its substantive discussions of the public expenditure programmes."

It is true that the Cabinet did not specifically discuss whether local authorities should be given the range of options (as distinct from the inflation assumptions). It is equally true that the Secretary of State for the Environment did not seek to make the point that they should not be consulted or that they should be to any degree exempt from the exercise.

3. There can be no question of allowing any exemption for local authority expenditure in the preliminary analysis of possible cuts. The question is whether the local authorities themselves should be consulted on possible cuts in local authority current expenditure or whether the exercise should be carried out in-house. It will be necessary to adopt the same procedure for England, Wales and Scotland. In paragraph 2 of C(81) 28 the Secretary of State for the Environment argues against consultation on the grounds that, following the threatened withdrawal of £450 million grants for 1981-82, any substantial reductions in the later years would be unrealistic and that discussion of them would be provocative both to the Government's supporters and to opponents in local government.

4. The Chief Secretary, Treasury, the Secretary of State for Wales and the Secretary of State for Education and Science (each in letters dated 29 May) have all argued strongly that the local authority expenditure groups should be consulted. They point out that the local authorities are aware of the options exercise and argue that, while they will undoubtedly strongly oppose the application of such cuts, they would be highly critical of the Government if, contrary to usual practice, they were not consulted. As the Secretary of State for Wales puts it, 'an appearance of dark scheming in our own closet will do nothing to help our relationship with the local authorities'. The Chief Secretary has made the further point that he would be most reluctant to give the erroneous impression that any area of public expenditure was exempt from the options exercise.

HANDLING

5. You will want to keep discussion of this question short and to avoid any attempt either to re-open the decisions already taken on the public expenditure guidelines or to pre-judge the substantive discussions which the Cabinet will be having later in the year. After the <u>Secretary of State for the Environment</u>

Yes CS Ed — Tr.

Env. No — Soc Services Ag. Sc. Ch. Duchy Home Sec.

has introduced his paper you might ask the Chief Secretary, Treasury, and the Secretaries of State for Wales and for Education and Science to say whether they confirm the line they have taken in correspondence. You might then ask whether any other Minister supports the views of the Secretary of State for the Environment on this issue - in particular you will wish to know how the Secretary of State for Scotland wishes to deal with his authorities and to hear the advice of the other Ministers with local authority responsibilities - the Home Secretary and the Secretaries of State for Social Services and for Transport.

6. If it were to be agreed that for the local authorities the exercise should be conducted in-house, I suggest that you should make very clear that this does not imply any exemption from the general requirement to identify the full range of option cuts.

CONCLUSIONS

7. In the light of the discussion you will wish to record conclusions:

either that the Secretaries of State for the Environment, for Wales and for Scotland, should consult their local authority associations forthwith on the agreed options for reductions;

or that they should conduct the exercises in-house.

RA

Robert Armstrong

10 June 1981

Local Govt

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

MAP

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

6 June 1981

Dear Mike,

LOCAL GOVERNMENT CURRENT EXPENDITURE: SCOTLAND

I attach a final* draft of the statement my Secretary of State is to make this afternoon.

I am copying this letter to the Private Secretaries to the Chief Secretary, the Leader of the House of Commons, the Leader of the House of Lords, the Secretaries of State for the Environment and Wales, the Chief Whips (Commons and Lords), and to Bernard Ingham.

Yours ever,

Godfrey Robson

GODFREY ROBSON
Private Secretary

* I hope

ORAL STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND, 4 JUNE 1981

With permission, Mr Speaker, I will make a statement on current expenditure by local authorities in Scotland. I have today notified the Convention of Scottish Local Authorities of my proposals which I shall discuss with them at our next meeting on 15 June.

It is a matter of extreme concern to me that, in their budgets for 1981-82, local authorities in Scotland plan to spend about £180m at November 1980 prices (8.8 per cent in volume terms) more than allowed for in the 1980 RSG settlement. Authorities have also made provision for higher pay and price increases than allowed for in the cash limits and have thus budgeted for a cash excess of £235m above the amount in the RSG settlement. This is a totally unacceptable response to the Government's request for lower public expenditure in the interests not only of the national economy but also of ratepayers.

I propose a twofold response. First, I am asking all local authorities to undertake an immediate review of their budgets in order to reduce their spending to levels consistent with the Government's expenditure plans. Authorities are being asked to report to me by the end of July.

Secondly, should the Local Government (Miscellaneous Provisions) (Scotland) Bill be enacted, I intend to take immediate action to reduce the rate support grant payable to certain local authorities who are planning to incur expenditure in 1981-82 which I am satisfied is excessive and unreasonable. The procedure (set out in the Local Government (Scotland) Act 1966) requires me to report to the House on the circumstances of each case and to obtain the approval of the House to such grant reductions, after giving the opportunity to the local authorities concerned to make representations. In order that the local authorities which may be affected initially may have the maximum opportunity to consider their responses and to examine the scope for reductions in planned spending, preliminary notice has today been given to them of the assessments upon which I have based my provisional conclusions. I shall of course be prepared to/consider reducing the assessments in the light of any representations I receive. This preliminary advance notice is my response to requests for early notice of my intentions. It does not rule out the possibility of later action against other authorities.

The extent to which I reduce rate support grant will depend upon the results of the revised budgets. If present spending plans were to remain unchanged, I consider that it would be appropriate to withhold £100 million. It will be my objective to secure as much as possible of this reduction by selective means but, as I have already warned the Convention of Scottish Local Authorities, it may also be necessary to reduce grant generally if present budgets are not substantially reduced. This would be achieved by reducing the amount of grant which might otherwise have been paid at increase order stage. I must therefore ask all authorities to review their budgets for further savings to keep any general abatement of grant to the minimum necessary. Such general abatement should be significantly lower than would otherwise have been necessary provided that the selective powers sought in the Bill are granted to me, since this would enable me to concentrate the necessary abatement upon those most responsible for the excess. This will be of benefit to the majority of local authorities in Scotland.

I now turn back to 1980-81. As Hon Members will recall, local authorities' original budgets for 1980-81 suggested a planned excess of £83m (or 4.9%) at November 1979 prices, above the figure provided for in the 1979 rate support grant settlement. I called for revised budgets from all authorities and their response was that the outturn would be significantly less than the budgets. The provisional outturn figures for 1980-81 suggest that this did not happen and I have already expressed to the Convention my deep concern about this situation. I shall consider further action when final figures are available in the autumn, but I am bound to make clear now that it remains my intention to effect reductions in the rate support grant under my existing powers where I am satisfied that excessive and unreasonable expenditure has been incurred. If the final figures for outturn continue to disclose an unacceptable excess, I intend to effect grant reductions in the range of £40m to £60m. The higher figure will be appropriate if the excess of £83m disclosed by the provisional returns is confirmed. I will give further consideration to the means of securing such a reduction and the possibility of part or all of it falling upon rate support grant for 1982-83.

In the more general context, my rt hon Friend the Secretary of State for the Environment announced on 2 June that the Government are considering further means to bring home to individual local authorities and their electroates the consequences of high-spending policies. I shall be considering with my colleagues the action, including legislation next session, which may be required in Scotland. The

Government must also consider the unfairness of the rating system. I shall undertake discussions with the Convention of Scottish Local Authorities on the consultation document (which as my rt hon Friend said we intend to issue in the autumn) which will deal with the alternatives to domestic rates.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Edwards MP
Secretary of State
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

5 June 1981

Dear Nick,

1982 RSG SETTLEMENT: EXPENDITURE GROUPS SUPPLEMENTARY REMIT

Thank you for your letter of 29 May.

As you know from my own letter of the same date to Michael Heseltine, I agree with you that supplementary remits should now be issued to the local authority expenditure groups without further delay, in line with the Cabinet's decisions. I note, too, that Mark Carlisle takes the same view. I would therefore very much favour your issuing the document enclosed with your letter to your Welsh Expenditure Sub-Group.

Since issuing a document on these lines in Wales would clearly make it impossible to act differently in England, I hope Michael will now agree to do likewise.

Copies of this letter go to all recipients of the earlier correspondence.

Yours
Leon

LEON BRITTAN

PERSONAL AND CONFIDENTIAL

Prime Minister
Mr Heseltine raises a tricky issue, given local gov't reaction to this week's announcement. Would you like to discuss with the Chancellor before replying?
MAP 5/vi

Prime Minister

5 June 1981

LOCAL AUTHORITY EXPENDITURE: PESC OPTIONS

I should be grateful for your advice on how to take forward an issue which has arisen since Cabinet discussed the 1981 PESC guidelines on 7 May. You may recall that the Chancellor's paper (C(81)20 para 19.iv) proposed that "this provisional working assumption should be given to local authority expenditure groups." This provisional working assumption was, of course, the inflation factor.

Flag A
Public expenditure

In the discussion on the paper this point was not raised. The record of the summing up, however, records Cabinet agreement to all the Chancellor's proposals.

I am now being asked - by the Chief Secretary and other colleagues - to release to the LA Associations not only the inflation assumption - which I am quite content with - but also to seek local authority views on the consequences of the 3% and 5% options in 1982/83 and the 5% and 7% options for later years.

In my view, this would be quite wrong. First, the Cabinet did not discuss the view that local authorities should be given the range of options. Second, in present circumstances, to invite local authority reactions to proposals for a further reduction in their current spending, going as far as an additional 7%, would provoke an explosion, with our own supporters in the vanguard. For example, given that local government is now 8% over the top in cash terms, a further 5% would imply a 13% reduction between years. We could not expect a sensible response. We would stir up the most immense opposition, for no useful purpose. Third, the release of the options to local government would enable the pressure groups to marshall their forces sooner rather than later: special pleading to Ministers would then be repeated in the Cabinet discussion which we shall be having, making realistic cuts that much more difficult.

I believe that we should commit a major political error in asking local government to consider these options now (though I recognise that the fact that the Government is looking at these option reductions across the board is already public knowledge). I believe after my announcement this week that it will make our task in actually reducing expenditure more difficult. The reaction is difficult enough as it is and to throw into this climate the feeling that even if our shire county colleagues do much of what we have now asked we are then going to push them into cuts of the scale envisaged could simply have the effect of persuading them to give up trying to find even our present targets. I have discussed this - on a political rather than Departmental basis - with Willie Whitelaw and Francis Pym, and am therefore copying this to them. If it is your view that Cabinet has agreed to release the options and that this would be the right course on which now to embark, I will, of course, authorise the release to the local authority Associations of a paper detailing the options. If you feel that further collective discussion would be of value, I would gladly circulate a short note or letter.

MH

I tend to share MH's view and providing the Chancellor agrees recommend the options be NOT released.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

4 June 1981

Dear Mike, MP.

LOCAL GOVERNMENT CURRENT EXPENDITURE: SCOTLAND

I attach the text of the statement my Secretary of State is to make this afternoon about the steps he is taking to control current expenditure by local authorities in Scotland. The Secretaries of State for the Environment and Wales declared their intentions to the House on Tuesday; but following the decisions of E Committee on 21 May, further Ministerial discussions had to take place on the Scottish position. These were completed yesterday.

The attached text has been agreed at official level by Treasury. It will almost certainly be subject to further drafting refinements, but you should see it without further delay.

I am copying this letter to the Private Secretaries to the Chief Secretary, the Leader of the House of Commons, the Leader of the House of Lords, the Secretaries of State for the Environment and Wales, the Chief Whip, and to Bernard Ingam.

Yours ever,

Godfrey Robson

GODFREY ROBSON
Private Secretary

ORAL STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND, 4 JUNE 1981

With permission, Mr Speaker, I will make a statement on current expenditure by local authorities in Scotland which is relevant for rate support grant. I have today notified the Convention of Scottish Local Authorities of my proposals which I shall discuss with them at our next meeting on 15 June.

It is a matter of extreme concern to me that, in their budgets for 1981-82, local authorities in Scotland plan to spend about £180m at November 1980 prices (8.8 per cent in volume terms) more than allowed for in the 1980 RSG settlement. Authorities have also made provision for higher pay and price increases than allowed for in the cash limits and have thus budgeted for a cash excess of £235m above the amount in the RSG settlement. This is a totally unacceptable response to the Government's request for lower public expenditure in the interests not only of the national economy but also those of ratepayers generally.

I propose a twofold response. First, I am asking all local authorities to undertake an immediate review of their budgets in order to reduce their spending to levels consistent with the Government's expenditure plans. Authorities will be asked to report to me by the end of July.

Secondly, should the Local Government (Miscellaneous Provisions) (Scotland) Bill be enacted, I intend to take immediate action to reduce the rate support grant payable to certain local authorities who are planning to incur expenditure in 1981-82 which I am satisfied is excessive and unreasonable. The procedure (set out in the Local Government (Scotland) Act 1966) requires me to report to the House on the circumstances of each case and to obtain the approval of the House to such grant reductions, after giving the opportunity to the local authorities concerned to make representations. In order that the local authorities which may be affected initially may have the maximum opportunity to consider their responses and to examine the scope for reductions in planned spending, preliminary notice has today been given to them of the assessments upon which I have based my provisional conclusions. I shall of course be prepared to reduce the assessments in the light of any representations I receive. This preliminary advance notice is my response to requests for early notice of my intentions. It does not rule out the possibility of later action against other authorities.

The extent to which I reduce rate support grant will depend upon the results of the revised budgets, including expenditure reductions offered in response to notice of my intention to use the selective powers for which there is provision in the Bill. If present spending plans remain unchanged, I consider that it would be appropriate to withhold £100 million. As I have warned the Convention of Scottish Local Authorities, to secure such a reduction it may be necessary to reduce grant generally, in addition to taking selective measures. I am therefore bound to warn local authorities in Scotland that the amount of grant which might otherwise have been paid at increase order stage within the cash limit for 1981-82 may have to be curtailed. It is my objective to secure as much of the reduction as possible by selective means. I must therefore ask all authorities to review their budgets for further savings to keep any general abatement of grant to the minimum necessary. Such general abatement should be significantly lower than would otherwise have been necessary provided that the selective powers sought in the Bill are granted to me, since this would enable me to concentrate the necessary abatement upon those most responsible for the excess. This will be of benefit to the majority of local authorities in Scotland.

I now turn to 1980-81. As Hon Members will recall, local authorities' original budgets for 1980-81 suggested a planned excess of £83m at November 1979 prive (or 4.9 per cent) above the figure provided for in the 1979 rate support grant settlement. I called for revised budgets from all authorities and while few specific savings were identified there was a clear expectation on the part of local authorities that the outturn would be significantly less than the budgets. The provisional outturn figures for 1980-81 suggest that this did not happen and I have already expressed to the Convention my deep concern about this situation. I shall consider further action when final figures are available in the autumn, but I am bound to make clear now that it remains my intention to effect reductions in the rate support grant under my existing powers where I am satisfied that excessive and unreasonable expenditure has been incurred. If the final figures for outturn continue to disclose an unacceptable excess. I intend to effect grant reductions in the range of £40m to £60m, the latter if the excess of £83m disclosed by the provisional returns is confirmed. I will give further consideration to the means of securing such a reduction and the possibility of part or all of it falling upon rate support grant for 1982-83.

In the more general context, my rt hon Friend the Secretary of State for the Environment announced on 2 June that the Government are considering further means to bring home to individual local authorities and their electorates the consequences of high-spending policies. I shall be considering with my colleagues the action which may be required in Scotland. The Government must also consider the unfairness of the rating system. I shall undertake discussions with the Convention of Scottish Local Authorities on the consultation document (which as my rt hon Friend said we intend to issue in the autumn) which will deal with the alternatives to domestic rates.

PART 4 ends:-

2-6-81

PART 5 begins:-

SO to MAP

4-6-81