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Ref. A02223

PRIME MINISTER

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Local Authority Current Expenditure in 1980-81

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

BACKGROUND

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

England and Wales: E(80) 42

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

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

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

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

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

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

He rejects:-

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

Scotland: E(80) 44

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

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

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

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

HANDLING

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

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

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

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

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

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

(c) Should more be done?

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

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(d) When should progress reports be called for?

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

(e) Are the proposals for Scotland acceptable?

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

CONCLUSIONS

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

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

RA

ROBERT ARMSTRONG

21st May, 1980



OFFICE OF THE SECRETARY OF STATE

MEMORANDUM FOR THE SECRETARY OF STATE

1. The Department is pleased to advise you that the Secretary of State has approved the proposed amendments to the regulations governing the issuance of visas to citizens of the United States who are returning to the United States after a period of absence of more than one year.

2. The proposed amendments are as follows:

(a) The Department is pleased to advise you that the Secretary of State has approved the proposed amendments to the regulations governing the issuance of visas to citizens of the United States who are returning to the United States after a period of absence of more than one year.

(b) The Department is pleased to advise you that the Secretary of State has approved the proposed amendments to the regulations governing the issuance of visas to citizens of the United States who are returning to the United States after a period of absence of more than one year.

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21 MAY 1950

ROBERT A. HARRISON

SECRETARY OF STATE