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LOCAL AUTHORITY SPENDING

The Secretary of State for the Environment announced on 18 September the Government's conclusions on the revised budgets for current expenditure in 1980-81 which it asked local authorities to submit last June.

The original budgets submitted in April by local authorities in England and Wales showed a "raw" planned excess of 5.6% (£740m) over the Government's own plans. This indicated a final outturn 2-3% above target. The Government could not accept this. It therefore called for revised budgets.

These have been analysed. 444 authorities out of 457 have responded, covering over 99% of expenditure. The new budgets showed overall a reduction of £390m (3%). This still leaves a planned excess of £350m (2.6%).

Conservative authorities have made a much more responsible effort to cut expenditure than authorities under Labour or other control.

	No of authorities	% excess remaining
Conservative	233	1.5%
Labour	115	4.7%
Other	120	4.3%

Local government actual spending has in the past tended to be lower than budget plans. The Government believes there will be some further reductions in the remaining excess. But for two reasons it cannot be sure the excess will disappear:

- (i) past budget overspending has been at a time of rising expenditure plans - it may be less easy to underspend when expenditure should fall, as at present;
- (ii) the key to expenditure reduction is manpower reduction. Manpower costs make up 70% of current spending. The latest manpower figures are encouraging (about 29,000 or 1.4% in the year June 79 to June 80). But considerable further reductions would be needed in the rest of the financial year 1980-81 for local government generally to get on target.

The Government therefore believes it is still possible local authorities may overspend in 1980-81 by some £200m.

The Government has therefore taken 3 steps. Authorities may still be exempted from (i) and (ii) if they can achieve satisfactory revisions of their budgets before the laying of the Orders in November/December.

(i) The Government is acting specifically against a small number of authorities who have blatantly disregarded the need to reduce expenditure. They will have their rate support grant entitlements removed by between the equivalent of a 1p and a 5p rate, depending on the extent of their overspending, under the "transitional arrangements" provided for in the Local Government Bill. The authorities are:

Camden	Islington
Tower Hamlets	Lambeth
Hackney	Lewisham
Brent	Hammersmith and Fulham
Hounslow	Waltham Forest
Afan	Greenwich
Newcastle	Sheffield

(ii) it is adjusting 1981-82 Urban Programme grant to 3 of the above authorities who have made no effort whatsoever to reduce expenditure. These are the London Boroughs of Hackney, Islington and Lambeth. The Government believes that partnership should mean just that. Urban programme grant will therefore be withheld and made available to more responsible authorities;

(iii) finally, the Government is withholding £200m of additional rate support grant that would otherwise be due to be paid to authorities in the first Increase Order for 1980-81 to be announced in November. The Government appreciates that this makes no distinction between those who have made great efforts to reduce expenditure (especially Conservative authorities) and those who have not. But selective grant powers to distinguish between the prudent and the profligate authorities (except in the limited case of the transition arrangements) will not be available until next year, subject to the successful passage of the block grant provisions of the Local Government Bill.

The Government recognises the criticism of unfairness that will be made by responsible authorities to this across the board reduction in grant. But it was impossible to ignore the risk of overspending. The public expenditure targets are too important for that.

The reductions in grant will not themselves reduce overall levels of public expenditure. Only actual reductions in spending by local authorities will achieve that. But grant reductions will clearly influence levels of local authority expenditure, and help towards achievement of our target.

And the £200m abatement of grant is not irreversible. When the Government has the figures for actual spending in 1980-81 it will be able to judge whether some or all of it could be restored next year when the final grant account for 1980-81 is settled.

Meanwhile, the withholding of grant provides the clearest possible incentive to local government to make the remaining reductions necessary to achieve the expenditure targets.

Moreover to the extent that local authorities cannot get on course in 1980-81 they will find it that much harder to meet the further reduction of 2% in 1981-81 which is a necessary element in the Government's drive to reduce public expenditure.

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