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CABINET

PUBLIC EXPENDITURE 1981-82 - LOCAL AUTHORITIES

Memorandum by the Chief Secretary, Treasury

1. I was invited to discuss with Ministers the proposals in Annex A of C(80) 40, and as a first priority the totals for local authority current expenditure in 1981-82, in time for discussion in Cabinet on 24 July (CC(80) 28th Conclusions, Minute 2). This was to be within our agreed aim of keeping to the net public expenditure totals for 1981-82 to 1983-84 published in Cmnd 7841, as reduced by the European Community Settlement.

2. This paper is limited to the decisions we need to reach now on local authority current and capital spending in 1981-82. My main proposal is that the local authorities be informed immediately that their total current expenditure in 1981-82 should be 2 per cent below the Government's planned figure for 1980-81. The main issue for decision now is the £60 million reduction in education in England in 1981-82 which I propose, in addition to the £20-£25 million reduction which the Secretary of State for Education and Science is willing to find (see paragraph 7 ii below).

A. LOCAL AUTHORITY CURRENT EXPENDITURE (ENGLAND AND WALES)

3. We have to decide how to handle the total of local authority current expenditure and its relationship to individual services, and to settle the reduction in education.

4. It is the local authorities themselves who ultimately decide on the allocation of spending among the various services. Hence we need to decide on the planned total of local authority current expenditure for 1981-82, as the key indicator which we should give to the authorities in the next week or so.

5. On the other hand, for some services (law and order, education) my colleagues will wish to tell the authorities at some stage what the Government intends that they should spend. The allocation of the planned total among the various services has to be settled among Ministers by mid-September, so that we can assess the distributional effects of alternative Rate Support Grant (RSG) percentages. These totals for individual services will need to be published at latest in the next White Paper, and will be taken as an important indication of the Government's priorities.

6. Hence we should aim to decide both the aggregate totals and the service totals, even though the latter can only be provisional. For the aggregate, we gave a broad indication in the White Paper earlier this year that the 1981-82 figure for Great Britain should be 2 per cent below the planned total for 1980-81. We are still engaged in trying to secure this planned figure for the current year, and have called for revised budgets consistent with it. I propose that we should now tell local authorities that the total for their relevant current expenditure in 1981-82, in England and Wales should be 2 per cent below the Government's planned figure for 1980-81; this indication is being given in advance of the RSG settlement in the autumn, to assist with their planning for next year. If Cabinet agrees, I will settle the details of this announcement with the Secretaries of State for the Environment and Wales, and other colleagues concerned.

7. Service totals should be consistent with this aggregate. In general, we should aim to keep to the service totals already planned for next year (see Annex 2), but this gives rise to problems in two areas:-

i. LOCAL ENVIRONMENTAL SERVICES (ENGLAND)

The survey provision for this item looks likely to be overspent by some £80 million next year. The prospect could change (revised 1980-81 budgets, effect of block grant on distribution next year). The Secretary of State for the Environment proposes that we should not seek to offset this provisional overspending at present, but should if necessary scale down all the local authority service totals pro rata, from the revised local authority budget figures, to avoid exceeding our planned aggregate. This would probably entail a large further reduction in the total for education (see below), which I do not think my colleagues would find easy to accept. It would also suggest to the local authorities that the Government shared their own apparent priority for current spending on local environmental services.

Hence I propose that we maintain the survey totals for individual services, with only the minor changes shown in column 4 of Annex 1, but recognise that these may need to be looked at again in September in the light of the revised budgets.

ii. EDUCATION (ENGLAND)

Here there is a disagreement which I must ask my colleagues to resolve.

I proposed a reduction of £50 million net, equivalent to £87 million gross allowing for the £37 million excess assumed from the loss of savings on school transport. Towards this £87 million, the Secretary of State for Education and Science would be willing to find £20-£25 million, from various places within his programme; notably higher education.

The Secretary of State argues that he cannot go beyond this £20-£25 million without modifying The Queen's Speech statement that "the quality of education will be maintained and improved".

I propose that we do modify it along the lines that, while public expenditure is being cut back, resources should be concentrated on the "basic skills" (as in the Manifesto) leaving less for other aspects of educational "quality".

In that case the full saving of £87 million next year could in my view be achieved, by seeking the balance from economies in schools. (There would be consequential reductions in Scotland and Wales.) I recommend that we should so decide.

8. A small agreed adjustment to the Ministry of Agriculture, Fisheries and Food figure for arterial drainage is included in Annex 1; it also affects capital expenditure in Annex 2. The increase of £13 million in civil defence expenditure agreed by Cabinet might make a small difference to the total and distribution of local authority current expenditure.

B. LOCAL AUTHORITY CAPITAL (ENGLAND AND WALES)

9. In general I propose that we confirm the survey totals for 1981-82, as shown in Annex 2. The only programmes needing separate comment are housing (see below), trade and education:-

i. TRADE (LOCAL AIRPORTS) (ENGLAND)

I have agreed a small increase in local airports capital expenditure (£3½ million, partially offset by a reduction of £1 million in central government expenditure). I shall report orally to Cabinet on the outcome of discussion of a further bid for the same programmes.

ii. EDUCATION (ENGLAND)

The Secretary of State for Education and Science may wish to take on capital a small proportion of the cuts finally agreed (as above), but in any case probably not more than £5 million.

C. HOUSING (ENGLAND AND WALES)

10. I proposed a reduction of £65 million in the provision for housing (England) next year. The Secretary of State for the Environment has not yet decided on the split between current and capital spending in this programme for next year, but is prepared to find this further saving from within his programmes, though not necessarily from housing alone. This is acceptable to me. For the purposes of this paper I am assuming that the whole reduction would fall on either housing or non-local authority (other environmental) services: it would have the usual consequentials for Scotland and Wales.

D. SCOTLAND

11. I have reached agreement with the Secretary of State for Scotland about local authority current expenditure in 1981-82. He will announce that it will be reduced by 2 per cent by comparison with the planned level for this expenditure in 1980-81 - the same percentage as for England and Wales. This reduction is rather higher than that implied in the baseline plans.

12. I shall be having further discussions with the Secretary of State about reductions in 1981-82 in the other areas of Scottish expenditure, and about 1982-83 and 1983-84. I shall report back to Cabinet in due course.

CONCLUSION

13. I invite Cabinet to agree that:-

i. the Secretaries of State for the Environment, Scotland and Wales should tell the local authorities that in the Government's view the total of their current expenditure relevant for RSG purposes for 1981-82 should be 2 per cent less than the corresponding planned total for the current year; I should settle the details of these announcements with the Secretaries of State and other Ministers concerned;

ii. for the purpose of calculating the RSG distribution in England and Wales the totals for individual local authority services for 1981-82 should, except for education, be as in the survey (see Annex 1, column 4), subject to further consideration in September;

iii. the total for the education programme in 1981-82 in England should be reduced by £50 million, on the basis that while public expenditure is being cut back resources should be concentrated on the basic educational skills at the expense of some other aspects of educational "quality";

iv. the survey totals for local authority capital expenditure in 1981-82 in England and Wales should be confirmed, with minor adjustments, as in Annex 2;

v. the offer by the Secretary of State for the Environment to find a saving of £65 million from his programmes in 1981-82 should be accepted.

14. I shall continue bilateral discussions on other programmes and the later years with the Ministers concerned, and report back to Cabinet in due course.

W J B

Treasury Chambers

18 July 1980

ANNEX 1

LOCAL AUTHORITY RELEVANT CURRENT EXPENDITURE IN ENGLAND AND WALES

£ million, 1980 survey prices

	1980-81		1981-82		
	RSG	RERs approx.	Survey	Now proposed	(5) = (4)-(3)
	(1)	(2)	(3)	(4)	
Education	6480	6638	6329	6507*	-37
School meals and milk	223	359	215		
Arts & Libraries	223	240	211	211	-
Personal social services	1246	1415	1273	1273	-
Police	1512	1501	1569	1569	-
Fire	391	365	378	378	-
Administration of justice	162	168	163	163	-
Highways and transport	1123	1176	1076	1076	-
Housing (non HRA)	55	82	50	50/	-
Local environmental services	1896	2106	1586	1586	-
Agriculture			6	5	-1
Industry, Energy, Trade, Employment			90	90	-
Other public services			128	128	-
TOTAL	13311	14050	13074	13036*	-38
Percentage difference from column 1		+5.6%	-1.8%	-2.1%	

* Assuming that all but about £15 million of the £87 million gross reduction for education in England (see paragraph 7(ii)) falls on local authority current expenditure. If Cabinet were to take the view of the Secretary of State for Education, these figures would be £60 million higher, giving a reduction of only 1.6%.

/ Based on notional breakdown and subject to decisions on that breakdown and on the distribution of the £65 million reduction. Any difference likely to affect the overall percentage reduction by relatively little.

ANNEX 2

LOCAL AUTHORITY CAPITAL EXPENDITURE, EXCLUDING HOUSING, ENGLAND AND WALES

£m, 1980 survey price

mental responsibility	1980-81	1981-82 Survey	1981-82 now proposed	
	(1)	(2)	(3)	(4) = (3)-(2)
	100	77	76½	-½
tment of Trade	13	18	21½	+3½
tment of Employment	5	7	7	-
tment of Transport	505	471	471	-
LES	448	442	442	-
Office	64	81	81	-
tment of Education & Science	315	275	270	-5
of Arts & Libraries	14	13	13	-
PSS	70	71	71	-
Office	181	156	156	-
AL (excluding housing)	1715	1612	1610	-2
ntage difference from col. 1)		(-6.0%)	(-6.1%)	