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20 May 1980

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

LOCAL AUTHORITY EXPENDITURE IN SCOTLAND: 1980-81

Memorandum by the Secretary of State for Scotland

1. My colleagues should know of action I have taken to limit local authority current expenditure in Scotland in 1980-81 to the level assumed in the rate support grant settlement and of further action which I may take.

BACKGROUND

2. Shortly after we came to office, I asked Scottish local authorities to reduce their planned expenditure in 1979-80 to the level assumed by my predecessor in making the rate support grant settlement, and below that if possible. The provisional outturn indicates that net actual expenditure in 1979-80 is slightly below the settlement figure.

3. For 1980-81, the settlement figure was 2 per cent less in real terms than for 1979-80. Budget estimates submitted by authorities indicate that they are planning to spend some 4.5 per cent more than the settlement figure. Past experience suggests that normal shortfall would reduce the excess to 2-3 per cent. I consider it imperative to eliminate this excess in the current year and to provide a realistic basis for the further necessary reductions in later years.

ACTION ALREADY TAKEN

4. By reducing the amount of grant paid as resources element, I have already taken action through the rate support grant settlement for 1980-81 to limit the extent to which additional grant is attracted by high rate levels. In addition I have suspended the application to Lothian Regional Council (who budgeted for substantial growth in expenditure) of the block system of capital consents which has operated in Scotland since 1977-78. Until further notice they must seek my consent for individual projects.

5. I discussed the budget estimates with the Convention of Scottish Local Authorities on 18 April, said that the planned excess would have to be eliminated and asked the Convention to arrange for authorities to revise planned expenditure without delay. I issued a circular formally conveying this request on 16 May.

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FURTHER ACTION

6. I am confident that these measures will moderate the excess of 2-3 per cent indicated by budget estimates. But further action may be necessary. I will form a view on further action after my next meeting with the Convention on 20 June when I shall discuss the response by authorities to the recent circular. My consideration will of course extend to the options discussed in E(80)42 by the Secretary of State for the Environment so far as these are pertinent in Scottish circumstances; my present purpose is to illustrate options with a particular relevance to Scotland.

7. Reduction in the cash limit for 1980-81 should certainly be considered if the response by authorities to the call for revised budget estimates is unsatisfactory. However vehemently they would oppose it, that would convey to authorities that we will not be blown off course by intransigence on their part. It would also undermine their ability to maintain the planned expenditure excess. But it would be premature to reach a view in the near future on the rate of grant for 1981-82. Our decision on that will be influenced by a number of factors in addition to the level of expenditure planned by authorities in the current year.

8. Under my existing powers I am able to reduce grant to an authority whose expenditure I consider to have been excessive and unreasonable, after giving the authority the opportunity to make representations, and subject to approval by the House of Commons. I have told the Convention that I propose to use these powers to reduce grant to authorities whose expenditure in 1980-81 I consider to have been excessive and unreasonable. I shall review the scope for action on these lines when provisional outturn information is available. Meantime the warning given to the Convention (now repeated by my recent circular) that action on these lines will be taken should act as a strong deterrent. The indicative guidelines for current expenditure issued since 1975 to authorities in Scotland will help in identifying authorities whose entitlement to grant might be reduced. But in selecting the authorities against whom action is to be taken I shall look with particular care at the trend in their expenditure from year to year. Given the reduction in total expenditure which we are asking authorities as a whole to secure, growth in the volume of expenditure by individual authorities could be justified only in quite exceptional circumstances.

9. I also informed the Convention that I am considering seeking additional powers to reduce rate support grant to individual authorities. My proposals will be circulated shortly to E Committee. The main purpose will be to enable me to take action to reduce grant at an earlier stage than is possible under present provisions.

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SUMMARY

10. I invite the Committee to note the scale of the excess indicated by local authority budget estimates in Scotland (paragraph 3) and the counter measures already taken or proposed (paragraphs 4-9). A decision on reduction of the cash limit for 1980-81 should be deferred until I have had the opportunity to study the response by authorities to my request for revised budget estimates.

G.Y.

Scottish Office
20 May 1980

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