



*See*

*Local*

2 MARSHAM STREET  
LONDON SW1P 3EB

*6057*

My ref:

Your ref:

2 June 1981

*Dear Tim*

LOCAL AUTHORITY CURRENT EXPENDITURE

I enclose a copy of the final version of my Secretary of State's statement. I am copying this to the Private Secretaries to the Leader of the House of Commons, the Leader of the House of Lords, the Secretaries of State for Scotland and Wales, the Chief Whip (6 copies), and to the Chief Press Secretary at No 10.

*[Handwritten signature]*

D A EDMONDS  
Private Secretary

Tim Lankester Esq, No 10



STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

TUESDAY 2 JUNE 1981

LOCAL AUTHORITIES CURRENT EXPENDITURE

With permission, Mr Speaker, I will make a statement on current expenditure by local authorities.

My Rt Hon Friend the Secretary of State for Wales will be making a statement later today, and my Rt Hon Friend the Secretary of State for Scotland will be making a statement shortly.

My Department has now analysed the revised estimates of local authorities in England and Wales for the volume of their current expenditure in 1980/81 and the budget plans of English local authorities for 1981/82.

In the light of this analysis I have today put proposals to the Consultative Council on Local Government Finance.

Hon Members will recall that when local authorities in England and Wales originally submitted their budgets for 1980/81 these suggested a planned excess in the volume of current expenditure by local government as a whole of some £740 million at November 1979 prices.

This was 5.6% above the Government's public expenditure plans.

As a consequence, in June last year I called for revised budgets which led local authorities to reduce this planned excess to



some £350 million at 1979 prices, or 2.6% above the government targets.

In order further to reduce this remaining excess, the Government asked the House to approve the withholding of £200 million from the Increase Order for England and Wales made in January 1981 on the understanding that we would be prepared to restore all or part of that sum if the outturn figures for 1980/81 showed an acceptable reduction.

The analysis of the revised estimates for 1980/81 indicates that there will still be a volume excess, which the Local Authority Associations estimate could range from £50 million to £250 million in England.

Final figures for the outturn expenditure in 1980/81 are however not yet available.

I shall have to wait therefore until more accurate outturn figures are available in the autumn before considering restoration of grant.

Budgets of local authorities in England for this year - 1981/82 - indicate a volume of current expenditure about £800 million or 5.3% above the Government's target level at November 1980 prices. Local 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 £1250 million above the amount assumed for current expenditure in the RSG settlement.



I am placing in the Library detailed figures showing how this proposal would affect individual authorities.

I shall be inviting detailed consultations about these proposals with local government.

I must emphasise that it lies entirely in the hands of local government to revise its plans so as to achieve the necessary reduction of public expenditure and thus to avoid loss of grant.

The House will want to know that over one third of all local authorities, responsible for about 11% of local authority expenditure, have already budgeted within the Government's volume targets and thus will lose no grant from this reduction if they stick to their present plans.

Over half of all local authorities, responsible for over one third of local authority expenditure, would already be protected wholly or in part from holdback.

The Government has not only to consider the consequences of excessive expenditure, but also the extent of the inequities in the way in which local revenue is raised through the rates. The Government therefore intends to issue a consultation document on the alternatives to domestic rates in the autumn.

In the meantime we are considering further measures, including legislation next session, which are needed to bring home to individual local authorities and their electorates the consequences of high-spending policies.



This is an inadequate response to the Government's request for lower public expenditure and protects the current consumption and staffing levels of local government at the expense of ratepayers whose ability to pay is already seriously diminished by the present recession.

The traditional relationship between central and local government rests on the clear understanding that local government keeps within the overall financial policies of the central government.

The Government believes that this understanding must be upheld.

I am therefore asking all local authorities to review their budgets for 1981/82 by the end of July in order to achieve levels of expenditure consistent with the Government's public expenditure plans.

If the call for revised budgets does not produce a satisfactory response, I propose to ask the House in the autumn to approve a reduction in the total amount of grant available this year. I cannot be certain until I know the results of the revised budgets what would be an appropriate figure.

But if the present spending plans remain unchanged the Government considers that £450 million would be the appropriate amount to withhold in grant.

Authorities which achieve the Government's volume targets will not suffer from this reduction in grant.

I also intend that those close to their volume targets will be partially exempted.