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Briefing Note

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LOCAL GOVERNMENT EXPENDITURE AND RATES

Local Government Spending. The Rate Support Grant is central to the public expenditure policies of the Government. It is the means by which central Government distributes taxpayers' money to help finance the spending programmes of local government.

On 2nd December 1981 the Chancellor of the Exchequer, Sir Geoffrey Howe, announced the Government's public expenditure plans for 1982-3. He referred to substantial overspending by local authorities in the current financial year.

Most local authorities were co-operative in their response to the Government's call for further economies in 1981-82. Two-thirds of all councils in England came within striking distance of achieving the spending targets set by the Government. 260 councils, most of them Conservative controlled, reduced their budgets by a total of £210 million. Unfortunately, this was offset by 50 councils revising their budgets upwards. The total increase by these councils was £120 million, of which £54 million was accounted for by two Labour councils, West Midlands and Merseyside. The GLC increased its budget by £104 million when Labour took control last May, but following the Lords' ruling on its fares policy its budget was reduced to a level slightly below its original one.

The Government has recognised that it will not be possible to eliminate this overspending in a single year, but the proportion of spending to be met by Government grants will be reduced and local authorities will be expected to make further reductions in spending rather than adding to the burdens of their ratepayers. Sir Geoffrey said: "There is no reason to expect extravagant rate increases this year. The answer lies ... in the hands of local authorities." (Hansard, 2nd December 1981, col. 244).

Mr. Michael Heseltine, Secretary of State for the Environment, has pointed out that the Grant settlement for England would mean continuing significant reductions in local government current expenditure. He said that the Government's objective was to exert maximum pressure to continue the downward trend of current expenditure as an essential part of the Government's strategy.

He also said it was clear that very large numbers of authorities had achieved, or were near to achieving, their targets in the current year. He expected the high spending authorities to bear the heaviest share of any reductions. Authorities which had increased their budgets in the current year would be expected to eliminate the increase and then make a further reduction. In the debate on the English Rate Support Grant on 16 February 1982 Mr.Heseltine said: "The onus is therefore on the high spending authorities to prove why they cannot do what the majority are doing." ((col. 153).

Rates in 1982-3. Early indications are that Labour authorities, particularly those without elections in May 1982, are continuing to impose heavy increases in the burdens on their ratepayers. The GLC announced on 16 February an increase in its precept of 91 per cent, which will mean 90 pence per week extra (a doubling of the rates burden) for the average domestic ratepayer for GLC services alone, without the rates to be paid for borough services and ILEA. The precept in Humberside (Labour) will increase by 61 per cent over 1981-2, in West Yorkshire (Labour) by 66.5 per cent, and in Nottinghamshire (Labour) by 52.7 per cent. By contrast Conservative counties are announcing much lower increases in their precepts: for example, Cambridgeshire and Lincolnshire, 5.2 per cent; Somerset, 6.9 per cent; Buckinghamshire, 9.5 per cent; and Gloucestershire and North Yorkshire, 9.6 per cent. This makes nonsense of the claim by Mr. Jack Straw (Labour MP for Blackburn) that Conservative counties place a heavier burden on their ratepayers than Labour counties.

The cynicism of Labour councils towards ratepayers is exposed by the attacks by Labour London boroughs (where they have to fight elections in May) on the increased GLC and ILEA precepts. The Labour leader of Tower Hamlets is reported as saying, "If Labour boroughs lose elections in May it will be on the heads of the GLC and ILEA". The leader in Camden (Labour) said, "The rate limit has been reached." The leader in Lambeth (Labour) said, "It is unacceptable for ILEA to say savings cannot be found without affecting services." (Financial Times, 4th February 1982).

Local Government Staff. Since wages and salaries account for over 70 per cent of local authority costs, economies can only be achieved if local authorities reduce staff numbers. Since June 1979 the number of full-time equivalents in England and Wales has fallen by over 80,000 or 4.1 per cent. In Scotland, local government staff numbers rose from 256,700 in June 1979 to 258,500 in September 1981. /By contrast, between May 1979 and October 1981 Civil Service staff numbers fell by 52,000 (7.1 per cent) and Department of Environment staff in the same period were reduced by nearly 10,000 (18.8 per cent)._7

Government Action

Supplementary Rates. Since Labour took control of a number of local authorities in 1981 there has been a growing tendency for councils to levy supplementary rates. In 1981-2 more than 30 local authorities levied supplementary rates or precepts, far more than ever before. The Local Government Finance (No.2) Bill abolishes supplementary rates. Once they have set their rates for the year councils will have to live within their means without further recourse to the ratepayers. Ill-judged increases in spending part way through the financial year will no longer be possible.

Rates Reductions in Scotland. The Local Government and Planning (Scotland) Bill will enable the Government to require a local authority to reduce its rates rather than lose grant.

Alternatives to Domestic Rates. The Government has published a Green Paper "Alternatives to Domestic Rates" (Cmnd.8449, December 1981) which sets out the options for reforming household rates including major changes to the existing system, and alternatives like local sales taxes, local income tax, and poll taxes. Consultations will be completed on 31st March 1982.

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