



Prime Minister (2)

To note.

MUS 3/3

3 March 1982

Prime Minister

At their meeting on 3 February, Cabinet asked me to circulate a note on the GLC's expenditure plans and precepts for 1982/3.

The position has now been clarified considerably following the Council's budget meeting on 16 February. As I understand the position, the Labour Party have succeeded in steering through a budget of £688m and a net precept of 34.85p compared with 18.2p for 1981/2. Discounting the special provision for the LTE deficit the budget provides for a 23% increase in cash expenditure. It includes:

- a. a 100% fares increase for London Transport in March, but no further increase in 1982;
- b. a further £15m reduction in the London Transport budget for 1982, either through improved efficiency or reduced services;
- c. a further £20m reduction in revenue support for London Transport in the first quarter of 1983 which may precipitate a further fares increase in 1983;
- d. continuation of free fares for old-age pensioners and the disabled at the present level, and costing £50m;
- e. repayment of London Transport's £125m deficit brought forward from 1981-2 in a single year with money raised from the rates, ie they reject the Secretary of State for Transport's offer of a £125m loan repayable over 5 years. Together these add up to an 88% increase in Transport spending;
- f. 3% real terms reduction in all non-transport services. (My target for the GLC seeks a 7% real reduction on all services). But this is offset by;
- g. £40.6m for new policies and developments, including £1 a week rent rise for council tenants (as opposed to the £2.50 guidelines I have recommended.);
- h. £70m for contingencies, including £45m for pay and price rises up to March 1983 (£14m for LT) and a net £25m (1½p rate) for potential block grant losses during the year.

This budget is somewhat more reasonable than we had originally feared. The decision to pay off the £125m of LT deficit from 1981/2 (instead of accepting David Howell's offer of a loan to enable it to be paid off over 5 years) is expensive for the ratepayer in 1982/3 but will be cheaper for them in the long run. The GLC cannot be strongly criticised for adopting that view, although of course it in no way excuses their having created the problem in the first place. With the quashing of the supplementary precept Londoners have in any event now benefitted from 6 months cheap fares for which they have not paid. It is not unreasonable that they should do so at some stage. I agree with David Howell, therefore, that there is no need to seek to force the GLC to accept a loan.

Outside the transport field we cannot, however, regard the budget as satisfactory. The 3% in real reductions on committee budgets is more than offset by the provision for new development and goes nowhere towards meeting the 7% real reduction I had called for in the targets I set for this year. There is no doubt, therefore, that the GLC precept is higher than it needed to be and we should point this out at every opportunity.

General London Rate Increases

/ The attached note puts the GLC's precept increase in the context of the pattern of London rate increases generally. This shows that even with this 92% increase in the GLC precept the average domestic rate increase in London will probably be in the range of 18-20%. (This is because the GLC precept in 1981/2 accounted for only 15% of the total expenditure in London; and it appears that generally rate increases in the London boroughs will be at comparatively low levels). At this level London rate increases in percentage terms, will be slightly above those in the rest of the country which I presently estimate at 17-19%. This estimate is still provisional.

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ILEA AND METROPOLITAN POLICE

The Metropolitan Police have announced a precept 17.6% higher than last year. ILEA has increased its precept by 13%. In inner London these 2 precepts have 2 or 3 times the weighting of the GLC precept so that effect of the GLC increase is considerably moderated.

The evidence on borough rate increases so far - excluding the effects of precepts - shows the following pattern of increases in domestic rates.

INNER LONDON

Increase	Number of Authorities				
	-10% and over	-5 to -10%	-5% to 0	0 to +5%	5 to 10%
	3	3	1	5	1

- suggesting an average decrease of between 0 and 5%.

OUTER LONDON

Increase	Number of Authorities		
	-5% to 0	0 to 5%	5 to 10%
	3	8	9

- suggesting an average increase of just about 5%.

These rate increase figures reflect the slightly more helpful grant settlement agreed for London and the pressures of election year. The average increase in London rates is likely to be in the range of 18-20%.

The following table shows the number of persons who have been granted a grant of naturalization in London in the year 1920. The figures are given in thousands and are rounded to the nearest whole number. The figures for the year 1920 are based on the figures for the year 1919.

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TABLE 10 (continued)

Number of Applicants	Number of Applicants		Number of Applicants
	0 to 100	100 to 200	
1	1	1	1

The figures in the following table are based on the figures for the year 1920. The figures are given in thousands and are rounded to the nearest whole number. The figures for the year 1920 are based on the figures for the year 1919.

TABLE 10 (continued)

Number of Applicants	Number of Applicants		Number of Applicants
	0 to 100	100 to 200	
1	1	1	1

The figures in the following table are based on the figures for the year 1920. The figures are given in thousands and are rounded to the nearest whole number. The figures for the year 1920 are based on the figures for the year 1919.

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