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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
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22 May 1984

John Major

EXPENDITURE LEVEL FOR THE GLC

In E(LA)(84)8 I ^{with RT} suggested that we should take a further look at the expenditure levels we set the GLC and ILEA for 1985-86.

Any savings that we can make by setting low expenditure levels for these authorities are significant simply because their budgets are so large: their combined budgets even after taking account of the removal of London Transport are £1½ billion.

I would like to focus in particular on the GLC. The GLC is budgetting to increase its expenditure (excluding its revenue subsidy to LT) by 15 per cent between 1983-84 and 1984-85, or about 10 per cent in real terms. There has been a regular shortfall in the GLC's outturn over budget.

If we simply allow the GLC a cash standstill over 1984-85 budget when we set their 1985-86 expenditure levels, we will not even begin to claw back the cost terms increase they are planning over their 1983-84 outturn. By basing the Expenditure Level on the 1984-85 budget we are at the mercy of the GLC's chronic overbudgetting. If we had set an EL for 1984-85 at the 1983-84 budget level, we would have allowed the GLC a 5 per cent cash increase over their 1983-84 outturn because of the substantial shortfall in that year. The GLC's record suggests that this pattern may be repeated in 1984-85.

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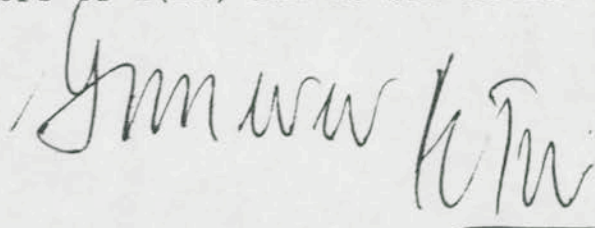
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I believe it would be better to seek a larger cut rather than to be seen to be endorsing the present excessive expenditure at a time when we are claiming that there is substantial scope for saving.

I know that Patrick is anxious not to lay himself open to legal challenge by appearing to discriminate between classes of authority, despite the inclusion of such a power on the face of the Rates Bill. But the GLC's expenditure is so excessive that I believe it can easily justify special treatment, in the same way as we have, in the past, singled the GLC out for tough targets. I attach an option which shows how we might do this, based on spending over 1981-82 minimum volume budget. Even after excluding transport the GLC is budgetting to spend 94% over minimum volume budget. The largest figure in any other authority is 36% for Greenwich. We could simply discriminate against the GLC - or hone our ELs more finely to expenditure over 1981-82 minimum volume budgets. I attach a table setting out a possible option.

This would save £60m or so over a simple cash freeze on all NIS-adjusted budgets. The major savings come from the 2% cut sought from ILEA and the 5% cut sought from the GLC. If colleagues thought we could realistically seek a larger cut from the GLC, I would be happy to endorse that.

I am copying this to members of E(LA) and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Rees', written in a cursive style.

PETER REES

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<u>Authority</u>	<u>Percentage over minimum Volume Budget</u>	<u>Expenditure Level*</u>
Lewisham	9.56	0%
Sheffield	11.46	0%
Merseyside	14.75	0%
Portsmouth	15.45	0%
South Yorkshire	16.10	0%
Brent	16.77	0%
Lambeth	16.85	0%
Camden	18.6	0%
Haringey	18.8	0%
Thamesdown	20.5	0%
Hackney	27.2	-1%
Islington	27.3	-1%
Leicester	27.6	-1%
Basildon	27.7	-1%
Southwark	28.3	-1%
I.L.E.A	32.69	-2%
Greenwich	36.4	-2%
GLC	94.2	-5%

* % change, cash on NIS-adjusted budget.

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