

Top copy filed
on Cabinet Structure

pt 2

Ref. A083/0257

PRIME MINISTER



Part of the ...
have also - with the ...
repetition of MISC 79 ...
Treasury Ministers and the ...

Handling of Further Work on Local Government Finance and
the Parliamentary Control of Expenditure (Reform) Bill

You told the Cabinet on 20 January that you would pursue further the question of local government finance with a small group of Ministers. I suggest that you might like to set up a new committee for this purpose. It would be a Sub-Committee either of E or (depending on your reaction to my minute of today's date about the structure of the economic committees) of the new EP Committee, and would be known as the Ministerial Sub-Committee on Local Government (E(LF)). The composition might be as follows:

- Prime Minister
- Home Secretary
- Chancellor of the Exchequer
- Secretary of State for Scotland
- Chief Secretary, Treasury
- Chancellor of the Duchy of Lancaster
- Secretary of State for the Environment

Should the group also be ready to co-opt one

Sir R Armstrong?

or two non-Ministerial experts - eg Mr Heiser?

Res 20/1

R. L. K.?

Singapore →

2. You also indicated that, at a later stage, you might wish to bring some of the issues to a larger group. You will probably not wish to decide now how that might best be done. If you wish to be involved in that larger discussion yourself, we could invite additional Ministers to your Sub-Committee. If, however, you wanted the further work done without your being involved, we could use the existing MISC 79 under the Home Secretary's chairmanship. MISC 79 will in any event remain in existence to deal with any detailed matters requiring collective discussion which arise from the follow-up to the Cabinet's Conclusions on local government organisation.

3. You also told the Cabinet on 20 January that a small group would be set up under the Chancellor of the Exchequer's chairmanship to co-ordinate the Government's tactics in relation to the Parliamentary Control of Expenditure (Reform) Bill. I propose that a Ministerial Group on Parliamentary Control of Expenditure should be set up in the MISC series with the following composition:

Chancellor of the Exchequer (Chairman)
Secretary of State for Industry
Lord President of the Council
Secretary of State for Transport
Secretary of State for Social Services
Lord Privy Seal
Secretary of State for Energy
Secretary of State for Trade
Secretary of State for the Environment
Chief Whip

4. If you agree with these proposals I will make the necessary arrangements forthwith.

A handwritten signature in black ink, appearing to read 'R.A.' or 'R.A.' with a stylized flourish.

ROBERT ARMSTRONG

25 January 1983

CONFIDENTIAL

Local Govt

WR

WR

Ref. No: ENV(83) 3

Rate Support Grant
Report (England) 1983-84

A brief for the debate on
20th January 1983

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Introduction: the July statement

The Rate Support Grant for 1983-84 was announced in outline on 27 July 1982, by the then Secretary of State for the Environment, Mr Michael Heseltine. Mr Heseltine said:

"The Government is determined that the search for economy in local authority current expenditure should continue. Failure to do so will lead to increasing rate burdens and mounting costs on individual householders and the wealth creating sector of the economy. Some progress has been made in the last two years, but not enough."

Mr Heseltine went on to warn:

"Authorities which exceed their guidance figures will risk a loss of block grant, on a scale which will be significantly more severe than this year's. The overriding need for economy means that all authorities must restrain their expenditure. But the high spending authorities that have so far failed to respond to the Government's request for economy will be asked for more restraint than those which have already made efforts to spend in line with the Government's plans."

Expenditure guidance 1983-84

The guidance given in the statement on 27 July 1982 is as follows:

- (a) For authorities which have budgetted in 1982-83 to spend not more than 1% above their expenditure target or grant related expenditure assessment (GRE), whichever is the higher: a 4% increase (in cash) on their budgets for 1982-83. Since authorities collectively are likely to spend less than provided for in their budgets by perhaps 1%, this is equivalent to about a 5% increase on this year's cash.
- (b) For authorities which have budgetted in 1982-83 to spend at a higher level: a basic 5% increase (in cash) above their 1982-83 expenditure target or GRE, whichever is the higher. To allow for the fact that some of these authorities are still planning to spend this year at levels well above their targets or GREs, the Government will modify the basic rule so that most authorities will not be asked to reduce their 1982-83 budgetted expenditure by more than 1% in cash - which of course will mean a substantial reduction in "real terms" after allowing for inflation. The only exception to this is that no authority should be entitled to increase its expenditure from its 1981-82 budget by more than 20%; in this case a cash reduction of more than 1% from 1982-83 to 1983-84 would be justified.

The December Statement

On 16 December 1982, Mr Heseltine made a further statement. The current expenditure provision is £19.7 billion, which is about 3 per cent more than the equivalent figure in authorities' budgets in 1982-83. The aggregate Exchequer Grant is to be

£11.8 billion. This represents a reduction from 56 per cent of relevant expenditure in 1982-83 to 53 per cent in 1983-84, but the grant is some £300 million higher (almost 3 per cent) in cash than in the previous year's settlement. The distribution of block grant between classes of authority is similar to that last year. As indicated in the July statement, low spending authorities and those that complied with the Government's guidelines in 1982-83 are given targets which allow a 4 per cent cash increase over their 1982-83 budget. By contrast, the target for most over-spenders represents a 1 per cent cash cut from their budget in 1982-83.

Grant Holdback

Mr Heseltine went on to explain the holdback arrangements for 1983-84. For each of the first two percentage points of spending above target, there will be a loss of grant worth a 1p rate at ratepayer level. For each subsequent percentage point of overspending, there will be a loss of grant worth a 5p rate. This will help authorities which narrowly fail, but it becomes increasingly severe for overspending at all levels above 2 per cent.

The Overspenders

The tables which accompany the expenditure guidance given to each authority in July 1982 make clear where the overspending arises in local government. The GLC, six inner London boroughs, six outer London boroughs, the six metropolitan counties, thirteen metropolitan districts, six shire counties, and thirty nine non-metropolitan districts in England have cash targets for 1983-84 which are below their budgetted expenditure for the current year.

The GLC

The GLC is in a class of its own. It is expected to spend £678.16 million in 1982-83; this far exceeds its volume target for 1982-83 which was £444.18 million and its grant-related expenditure assessment (GREA) which was £480.45 million. In 1983-84 its expenditure target is £543.41 million, which means that it will have to cut its spending by 19.9% to meet government guidelines.

Inner London Boroughs

Six inner London boroughs will have to cut their spending by 1%, in cash terms. They are:

Inner London boroughs	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Greenwich (Lab)	48.39	35.40	52.50	51.97
Hackney (Lab)	63.17	54.10	76.49	75.72
Hammersmith & Fulham (NOC)	49.48	45.13	56.90	56.33
Islington (Lab)	65.63	54.70	69.66	68.96
Lambeth (Lab)	94.90	76.26	100.40	99.40
Tower Hamlets (Lab)	55.30	36.94	62.35	61.73

Included in this group are some persistent high spenders. In 1980-81 (the latest available year) Lambeth was the third highest spender per capita in Inner London, spending over £370 per person, closely followed by Islington spending £361 per person, Tower Hamlets spending £358 and Hackney spending £341, while the average per capita spending of inner London boroughs was £306. The staffing levels in these authorities were also among the highest of any authority, Lambeth employed 32 staff per thousand compared with neighbouring Wandsworth which employed 20 staff per thousand. In Hackney staff numbers have continued to rise from 5,059 in September 1981 to 5,763 in September 1982, an increase of 13.9%.

Discretionary rate fund contributions to HRAs, using rate-payers' money to hold down council rents are far higher in these boroughs than in Conservative inner London boroughs. In 1980-81 Tower Hamlets contributed 41.3% from ratepayers' pockets, Hackney 32.5% and Lambeth 31.8% while Westminster contributed only 15% and Kensington and Chelsea 13.4%.

Outer London Boroughs

Of the six outer London boroughs which will have to make cash cuts in their spending, three are Labour controlled and two are now 'hung' councils which were formerly run by extravagant Labour Groups. They are:

Outer London boroughs	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Brent (NOC)	119.43	114.34	133.94	132.60
Haringey (Lab)	106.91	93.11	121.89	120.67
Harrow (Con)	65.64	62.95	71.07	70.36
Hounslow (Lab)	79.68	74.36	84.43	83.59
Newham (Lab)	108.43	103.90	120.20	119.00
Waltham Forest (NOC)	95.88	84.23	108.14	107.06

In 1980-81 Brent was the most extravagant outer London borough spending £479 per capita, Haringey spend £478 per capita, Newham spent £447 per capita, Waltham Forest spent £390 per capita and Hounslow spent £382 per capita. Their staffing levels were also very high: Newham employed 42 staff per thousand, Haringey nearly 37 staff per thousand, and Brent 34 staff per thousand while the average for outer London was 28 staff per thousand and Conservative boroughs like Richmond and Sutton employed 22 staff per thousand.

The ratepayers' money which most of these boroughs spent in 1980-81 to hold down council rents was also far above the average for outer London: Waltham Forest ratepayers contributed 30%, Newham ratepayers 29.9%, Brent ratepayers 27.8%, Haringey ratepayers 25.4% and Hounslow ratepayers 25%.

Metropolitan Counties

All the Metropolitan counties are Labour controlled, and all of them overspent both their volume targets and their GREAs in 1982-83:

Metropolitan Counties	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Greater Manchester (Lab)	216.91	197.65	236.59	234.22
Merseyside (Lab)	139.43	123.56	164.41	162.77
South Yorkshire (Lab)	147.87	90.99	161.07	159.46
Tyne & Wear (Lab)	123.04	105.70	136.08	134.71

West Midlands (Lab)	196.78	196.92	228.38	226.10
West Yorkshire	161.49	149.22	188.44	186.56

The metropolitan counties are continuing to increase their staffing. Greater Manchester has increased its staff from 5628 in September 1981 to 5789 in September 1982, an increase of 2.9%. Tyne and Wear has increased its staff from 3072 in September 1981 to 3127 in September 1982, an increase of 1.8%. West Midlands has increased its staff from 4984 in September 1981 to 5161 in September 1982, an increase of 3.6%.

Metropolitan Districts

Although the highest spending metropolitan district, Manchester, will escape penalties if it spends at its guideline for 1983-84, by virtue of overspending its target in 1982-83 by only 1.3%, most other high spending metropolitan districts overspent their targets and GREAs by considerable margins in 1982-83.

metropolitan districts	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Bury (Con)	53.34	53.27	57.83	57.26
Rochdale (NOC)	74.34	71.28	82.66	81.83
Tameside (Lab)	72.23	71.03	77.23	76.46
Wigan (Lab)	99.09	98.30	105.72	104.67
Liverpool (Lib)	203.40	196.38	215.09	212.94
Sheffield (Lab)	191.60	166.97	208.11	206.03
Gateshead (Lab)	68.43	66.30	74.77	74.02
Newcastle (Lab)	111.23	93.63	121.69	120.47
N. Tyneside (Lab)	65.56	60.70	73.51	72.78
Sunderland (Lab)	96.75	93.34	102.28	101.26
Walsall (Lab)	86.05	88.80	97.03	96.06
Bradford (NOC)	150.99	157.04	167.98	166.30
Calderdale(NOC)	60.10	59.77	64.97	64.32

Liverpool had the second highest expenditure per capita of any metropolitan district in 1980-1 at £394 per capita, followed by Newcastle-upon-Tyne with £387 per capita. The average for Metropolitan districts was £316 per capita, and Conservative controlled Dudley spent £218 per capita.

In 1980-1 Newcastle-upon-Tyne employed 44 staff per thousand, Liverpool employed 41 per thousand, Sunderland employed 39 per thousand, Conservative-controlled Trafford and Solihull employed 22 staff per thousand and Dudley 23 staff per thousand. Tameside Council increased its staff from 6,209 in September 1981 to 6,419 in September 1982 an increase of 3.4%.

Shire Counties

Four of the six shire counties which are spending above their target and GREA in 1982-83 are Labour controlled, and the other two are 'hung' councils where the Labour group has influenced spending levels. They are:

Shire counties	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Avon (Lab)	274.53	283.75	306.1	303.0
Beds. (NOC)	169.62	170.73	188.1	186.2
Cheshire (NOC)	305.63	307.63	332.2	328.9
Cleveland (Lab)	207.35	205.05	224.4	222.1
Humberside (Lab)	276.59	289.89	309.02	305.93
Notts. (Lab)	311.23	324.0	348.7	345.2

Nottinghamshire has increased its full-time staff from 21,673 in September 1981 to 22,227 in September 1982, an increase of 2.6%. Humberside has increased its full-time staff from 18,026 in September 1981 to 18,259 in September 1982, an increase of 1.3%.

Non-metropolitan districts

Twenty-seven of the thirty-nine non-metropolitan districts which overspent their targets and GREAs in 1982-83 are Labour controlled and one is Liberal controlled. The highest spending council, Blackburn, is 'hung', although Labour are the largest Party.

Non Metropolitan districts	82/3 target £m	82/3 GRE £m	82/3 budget £m	83/4 target £m
Stevenage (Lab)	5.49	4.12	5.90	5.84
Hull (Lab)	18.10	17.67	20.32	20.11
Scunthorpe (Lab)	5.62	4.83	6.11	6.05
Blackburn (NOC)	12.05	10.29	13.59	13.54
Burnley (Lab)	7.24	5.30	8.19	8.10
Hyndburn (Lab)	4.86	4.18	5.15	5.10
Preston (Lab)	7.50	7.49	8.49	8.41
Leicester (Lab)	18.82	17.78	22.32	22.10
Lincoln (Lab)	4.23	4.14	4.408	4.401
Norwich (Lab)	8.68	7.97	10.52	10.42
Corby (Lab)	2.80	2.89	3.32	3.19
Hartlepool (Lab)	5.74	5.25	6.17	6.10
Langbaugh (Lab)	12.36	8.43	14.16	14.02
Middlesbrough (Lab)	13.62	10.56	15.19	15.04
Carlisle (Lab)	5.67	4.85	6.08	6.02

Chesterfield (Lab)	5.49	4.53	6.16	6.10
Chester le Street (Lab)	2.77	2.28	3.12	3.09
Easington (Lab)	5.52	5.68	6.17	6.11
Basildon (Lab)	10.53	8.07	11.52	11.40
Harlow (Lab)	5.95	4.05	6.99	6.92
Thurrock (Lab)	6.61	5.25	7.49	7.41
Blyth Valley (Lab)	4.69	4.35	4.99	4.94
Wansbeck (Lab)	4.43	2.91	4.78	4.73
Ashfield (Lab)	4.56	4.55	5.21	5.16
Mansfield (Lab)	5.53	4.92	5.88	5.82
Newcastle under Lyme (Lab)	5.46	5.17	5.58	5.53
Adur (Lib)	3.31	2.69	3.59	3.55
Crawley (Lab)	5.27	3.66	5.86	5.80
Thamesdown (Lab)	11.60	6.96	13.54	13.40

In 1980-81 Blackburn was the highest spending non-metropolitan district in the country spending £103 per capita, when the average for all districts was £44. The other high spenders included Middlesbrough £97 per capita, Burnley £90 per capita, Wansbeck £85 per capita, Scunthorpe £84 per capita, Langbaugh £80 per capita, Norwich £76 per capita, Chesterfield £75 per capita, Harlow £75 per capita, and Thamesdown £73 per capita.

Conservative Thrift in Birmingham

While Labour councils persist in increasing their spending, expanding their staff and loading more burdens on their ratepayers, the Conservatives returned to power in Birmingham in May 1982 have demonstrated that Conservative good house-keeping can work. On 12th January, Cllr Neville Bosworth, the Conservative leader of Birmingham City Council announced that they will be cutting the rates in 1983-4 by 12 per cent or 15 p in £. This will save British Leyland £500,000, GKN £127,000 and a householder with a typical semi £38.