



10 DOWNING STREET

1. DEREK HOWE *D.H.*
2. PRIME MINISTER

Here is an extensive background brief (Flag A) for your short speech at the Local Government Conference on Saturday.

Also attached is a note from Joan Varley (Flag B) on the points that should be mentioned.

*es.*

8 March 1982



## USE OF CONSULTANTS AND VALUE FOR MONEY

### Themes to pursue

1. Consultants can play a most valuable role in identifying scope for improvements in efficiency of local authorities. This has been demonstrated time and again not only by those authorities which have employed consultants to undertake major and far reaching financial and management appraisals, but by those that have sought to use consultants to review the performance of specific service departments or other areas of activity.

2. But use of consultants to undertake a single exercise not an end in itself. Consultants act as a catalyst to focus attention on opportunities for improvement in performance. Their recommendations have to be put to work - for which there must be a willingness in the authority and a machinery to implement the recommendations. Consultants studies must therefore form part of a continuing process to improve value for money offered to the ratepayer and taxpayer. Resources are limited and authorities have a duty to ensure that every penny spent is used to the best advantage. This means that authorities must consider, for example, whether their services could be provided more efficiently by using alternative methods of provision (eg. the use of private sector contractors); must look at their financial planning process to ensure that all opportunities for improving cost-effectiveness are explored in building up their budgets; and ensure that their system of monitoring expenditure is sufficient to quickly reveal changes in performance. These are all areas where the private sector's experience of tight organisation and financial management can be productively tapped. The Government wishes to encourage authorities to build up closer links with business community.

### BACKGROUND NOTE

3. The use of consultants by local government is a good deal wider in extent than is generally recognised although there would still appear to be no general acceptance of the consultants' potential role. A number of major studies have been undertaken which have received a good deal of publicity - for example at Hammersmith and Fulham and Westminster - but the smaller, more specific reviews of the operation of service departments undertaken by consultants tend to go unreported: one consultancy (Price Waterhouse) is, for example, known to have been employed to undertake a series of studies in at least six English authorities (Bucks, Newark, Rochford, City of Birmingham, East Herts and Dudley).



4. Ministers regard the use of consultants as a means of impressing upon authorities the scope for economies both in the context of immediate action which can be taken to ameliorate rate increases, and, in the longer term, by adopting a cost-efficiency approach. Value for money (VFM) is again not yet an accepted concept in local government, as has been revealed most recently in the published report commissioned ~~by~~ the Department from Coopers and Lybrand into the scope for further contracting out of services and pricing policy. The consultants stated that local authority officers were generally sceptical of VFM appraisals, and drew attention to the deficiencies in budgetary practices, financial control systems and the absence of performance targets. Similar themes recur in other consultants' studies and were also brought out in the appraisal of Peterborough City Council undertaken by a team of local businessmen led by Dr Brian Mawhinney MP.

5. The Prime Minister may therefore wish to put her remarks on the use of consultants into the framework of the need to tighten up financial and managerial practices in local government by the consistent use of a VFM approach and perhaps link this theme to the benefits of closer working with the private sector both with respect to contracting out of services and in receiving and expertise on business practices from the local business community. Such an approach might be expected to draw the sting of those who express antipathy to the use of consultants for the reasons that their reports have been known to identify notional savings (as a result of accounting adjustments) and prove difficult and expensive to implement.



EXPENDITURE COMPARISONS

THEMES TO PURSUE

1. The Government's code of practice "local authority annual reports" published in February 1981 calls for the publication of comparative statistics in authorities annual reports. To provide a source of such statistics CIPFA has published a book of comparative statistics (the cost of developing this publication was supported by DOE).
2. The statistics published here for the first time in this form show a remarkable diversity in expenditure between authorities.

EXPENDITURE COMPARISONS ESTIMATES 1980/81 (£ per 1,000 population)

| <u>Class of Authority</u> | <u>Highest Spending Authority</u> | <u>Average Spending Authority</u> | <u>Lowest Spending Authority</u> |
|---------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| Metropolitan County       | 122,579<br>(Merseyside)           | 102,903                           | 85,320<br>(West Midlands)        |
| Metropolitan District     | 471,482<br>(Manchester)           | 314,817                           | 230,123<br>(Dudley)              |
| Shire Counties            | 358,064<br>(Cleveland)            | 296,685                           | 264,504<br>(Norfolk)             |
| Outer London Boroughs     | 466,106<br>(Brent)                | 336,379                           | 278,432<br>(Redbridge)           |
| Inner London Boroughs     | 462,525<br>(Camden)               | 309,037                           | 209,360<br>(Greenwich)           |

3. The Government believe that these expenditure comparisons show that there is scope for greater efficiency and further expenditure reductions in many authorities. Whilst the Government does not pretend that these statistics provide answers, they do provide material for ratepayers to ask useful questions. For instance do ratepayers in Dudley get twice as good a service as ratepayers in Manchester? Do social conditions in Camden justify the expenditure of £462 per person compared to only £209 per person in Greenwich?



AUDIT COMMISSION

1. The Government's proposals for an Audit Commission for Local Authorities are currently before Parliament. The objective is to enhance the independence of the audit process (for example the Commission will appoint auditors, rather than local authorities themselves, as at present; and the Commission will take over the District Audit Service, presently organised as part of DOE); and to strengthen the audit function as a means of promoting local authority accountability and efficiency.
  
2. The Government's proposals include giving auditors a new duty to satisfy themselves that an authority has made proper arrangements for securing value for money, and requiring the Commission to do comparative inter-authority studies of value for money. The scope for public objections to the accounts will be broadened. The Government also propose that more use should be made of private sector auditors, with their valuable experience of working in a cost-conscious environment.



MANPOWER

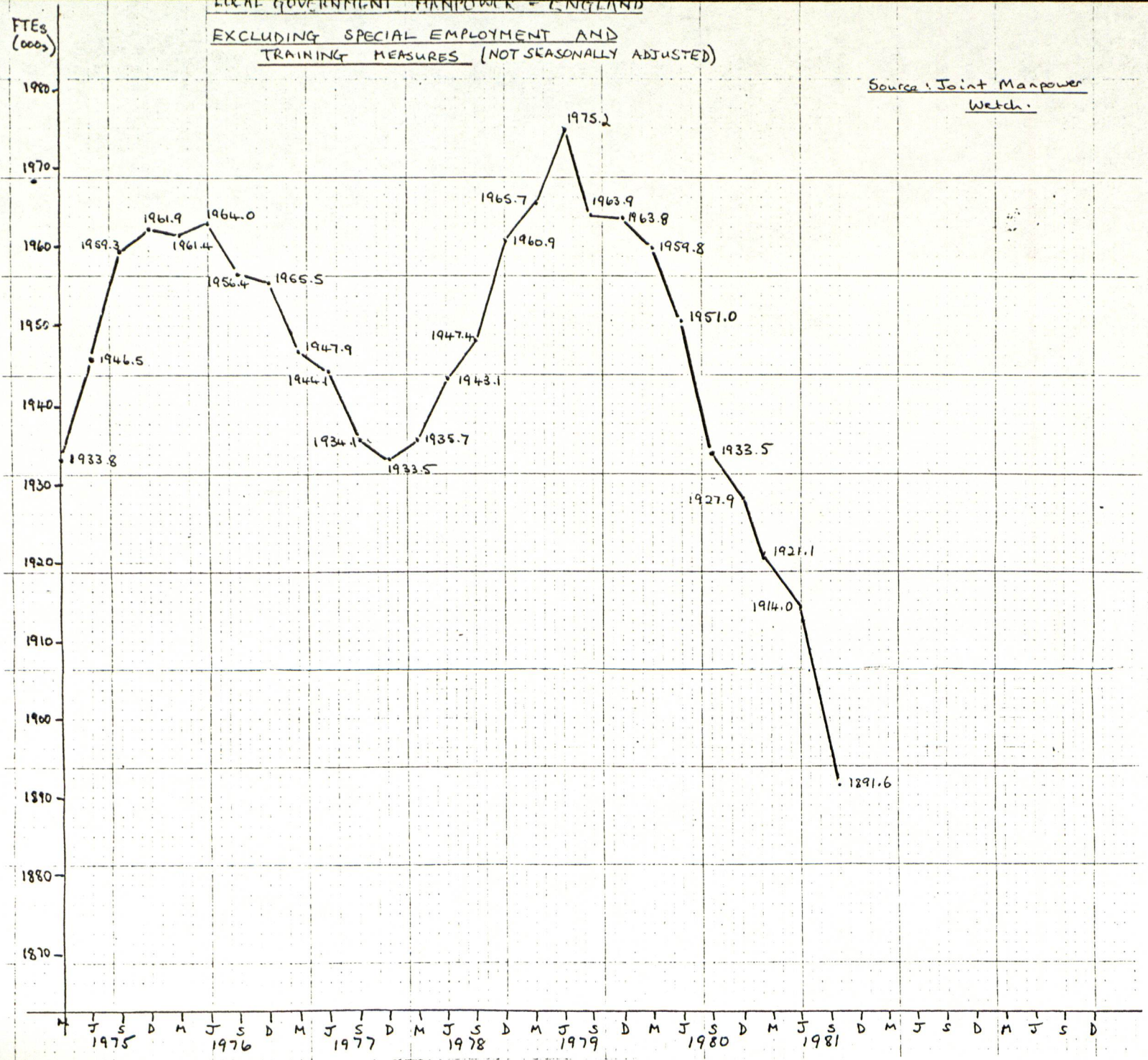
1. In GB local government manpower constitutes 11% of working population.
2. Latest Joint Manpower Watch figures for September 1981 (published December 1981) for England show total numbers employed 2.5m (1.9m full time equivalents); the overall yearly reduction of 42000 full time equivalents was the largest reduction ever achieved in one year; increases since 1974 have been eliminated. Graphs showing manpower movements since 1953, and since the inception of the Joint Manpower Watch in 1975 are attached.
3. Under the LGPL Act 1980 jointly agreed codes of practice have been issued for voluntary compliance to encourage greater local accountability. The code of practice for the quarterly information of manpower enables authorities to detail, explain and justify their own situation; the response is currently being monitored. It is supplemented by manpower information in annual reports and supporting information accompanying rate demands.
4. Between June 1979 and September 1981 LG manpower in England reduced by 4.1%; Civil Service manpower reduced by 7.1% over a comparable period.

∟The Scottish and Welsh Offices provide their own manpower information∟



LOCAL GOVERNMENT MANPOWER - ENGLAND  
 EXCLUDING SPECIAL EMPLOYMENT AND  
 TRAINING MEASURES (NOT SEASONALLY ADJUSTED)

Source: Joint Manpower  
 Watch.





LOCAL AUTHORITY MANPOWER - ENGLAND

1952-1981 (JUNG)

TOTALS (FULL & PART-TIME) (000s)

(000s)

2500

2400

2300

2200

2100

2000

1900

1800

1700

1600

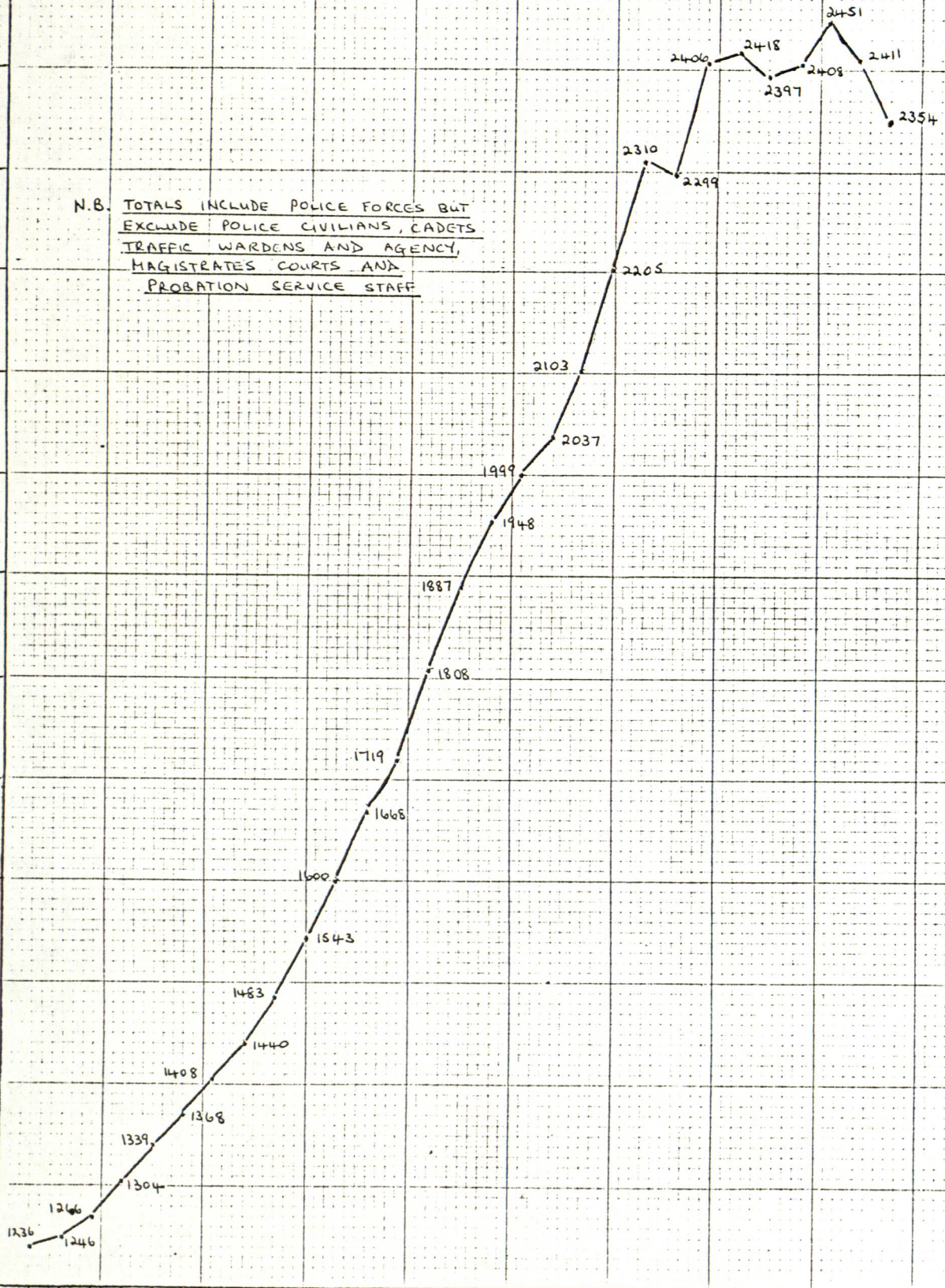
1500

1400

1300

N.B. TOTALS INCLUDE POLICE FORCES BUT EXCLUDE POLICE CIVILIANS, CADETS, TRAFFIC WARDENS AND AGENCY, MAGISTRATES COURTS AND PROBATION SERVICE STAFF

1953 54 55 56 57 58 59 1960 61 62 63 64 65 66 67 68 69 1970 71 72 73 74 75 76 77 78 79 1980 81 82 83 84 85





82/83  
Expenditure

## EXPENDITURE

### THEMES TO PURSUE

#### Cash Planning

1. The Government is now operating cash planning. This means that it has assessed the cash provision for local government spending which the country can afford. Authorities are no longer given a blank cheque to maintain services at a particular level. It is for authorities to decide how to achieve their cash expenditure targets. It is estimated that overall the 'total' expenditure targets for 1982/83 call for a reduction of about 3½% in real terms below minimum volume budgets in 1981/82. This has been calculated on the basis of the Government's price assumption of 9% and pay assumption of 4% between 1981/82 and 1982/83.

#### Grant Percentage

2. Although the grant rate has been reduced, the expenditure figure has been increased, last year the Government provided for £10.9 million in grant at 59.1% of relevant expenditure. This year it is providing £11.5 million at 56.1% of relevant expenditure. So although the grant rate is lower, the grant cash provided has increased by over £½m.

#### Cash Provision for 1982/83

3. The Government's current expenditure provision of £18 billion in 1982/83 is 2.8% more than authority's are budgeting to spend in 1981/82. Those budgets of course represent a current account overspend of some 5% over the volume target we set for local government in 1981/82. A cash increase of 2.8% over revised budgets is therefore in the circumstances generous. However, the Government nevertheless recognises that the 1982/83 cash provision does point to the need for further economies.



## TARGETS

### THEME TO PURSUE

1. Expenditure targets for 1982/83 have been calculated with regard both to past performance (against the 1981/82 targets) and with regard to performance against GRE (the Government's objective assessment of need). It is fairer to see greater saving from those spending further above their assessed need to spend and to recognise the efforts of those who have already made savings in response to previous requests.

2. The Government believes that it would be unfair to all other local authorities to allow those councils which made major increases in the volume of their expenditure eg. the GLC and West Midlands MCC, to have more generous targets as a result. Their targets accordingly expect them to recover those increases before making the savings sought from other authorities.

3. Some authorities who met Government's volume target in 1981/82 and who are also spending under their GRE argue that it is unfair on them to expect them to make further expenditure reductions in the course of 1982/83. That some reductions should be made in these authorities. However, because of their past low spending records the Government has decided to limit the real reduction asked of such authorities to 1%.

4. Some of these low spending authorities have <sup>also</sup> asked why a ceiling has been put on spending reductions for high spending authorities. This is simply a matter of realism. There are limits to the rate of which authorities can make reductions. Some authorities will be capable of more than others, but the Government's judgement about the maximum which is possible in one year is reflected in the ceiling of 7% real reduction on 1981/82 minimum volume budgets.

### BACKGROUND NOTE

5. The 1982/83 targets have abandoned the use of 1978/79 spending level as a baseline. This is because authorities spending needs change year by year as their circumstances change, (eg. population growth in Cambridgeshire and Northamptonshire). The Government wanted to set targets which the majority of authorities could once again achieve if they had the will to. Therefore 1981/82 expenditure has been used as a base, but built into the new targets are how an authority has performed in the past, and against GRE. Some authorities have argued that targets are incomprehensible. Admittedly the calculation of targets is complicated, but the principles are clear.

82/83  
Targets



GRANT RELATED EXPENDITURE (GRE)

THEMES TO PURSUE

1. The GRE assessments for 1982/83 are basically the same as in 1981/82. For many services they have not changed at all. <sup>For</sup> each service provided by local authorities there is a formula based on factors which are clearly related to the need for that service. However the Government has made a number of important improvements following consultations with the local authority associations during the year.
2. The Government has given increased weight to indicators of poor social and economic conditions in the Education and Personal Social Services GREs. This particularly helps the inner city areas which have high concentrations of need. Following a large number of representations from individual housing authorities this year, the Government has dropped the assumption that authorities who are in a position to generate a surplus on the HRA will use it to pay for rate fund services. There are also a number of technical improvements to the housing GREs, to the transport GREs, and in the treatment of some financial elements.
3. Considering that 1981/82 was the first year of the new system, the Government believes that the GRE assessments have stood up remarkably well. The changes in 1982/83 should improve them. There is always room for further improvement, and it is expected that further work will be done for the 1983/84 settlement. Certainly the openness of the new system has provided an opportunity for informal discussion and debate of grant distribution which was not possible under the old pre-block grant system.

BACKGROUND NOTE

4. Two major worries of local authorities in relation to GREs are changes during the course of the year and the use of up-to-date information. There may be some changes at Supplementary Report Stage but it is hoped that these will be much smaller in 1982/83 than in 1981/82. It was not possible to use the 1981 Census information for 1982/83 GREs. However, the Census information is being processed as quickly as possible so that it will be ready in time for next year's settlement.

82/83  
GREs



CLOSE-ENDING OF GRANT IN 1982/83

THEME TO PURSUE

1. It is hoped that close-ending of grant will not be a significant problem in 1982/83. This is because the Government has increased the slope of the poundage schedule. The result is that more authorities with high rateable values are on negative marginal rates of grant. In other words as they increase their spending the authority actually gets less grant in absolute terms.

BACKGROUND NOTE

2. The GLC have a negative marginal rate of grant because of London's high rateable value. If the GLC go ahead with its expenditure plans for 1982/83 which envisage spending substantially above target; it will lose a large part of its grant. This will then counteract the amount of overclaim from other authorities, and it is hoped that <sup>the</sup> eventual grant claim would not be too far adrift from the amount available

82/83  
Close-ending



## BACKGROUND

## POWERS TO HOLD BACK GRANT (CLAUSE 4 OF LOCAL GOVERNMENT FINANCE (No 2) BILL)

1. The Local Government Finance (No 2) Bill, introduced last December, contains a clause relating to holdback. In this circumstance, the Government has decided not to implement holdback of grant until that clause has been approved by Parliament. But this does not mean that the Government does not have the power to implement holdback without the Bill. All it means is that this use of the power to set multipliers was not envisaged when the 1980 Act was being considered by Parliament. Now that it is emerging as one of the major uses, the Government thought it only right to go back to Parliament and ask them to include a specific power in the Act. Authorities may suggest that it is unfair to implement ~~hold~~back of grant after the end of the financial year to which it refers. However authorities have known the size of reductions in grant which they might be subject since the beginning of June. Those effected have had ample <sup>time</sup> to plan the economies which they felt able to make.

## "SUPER-HOLDBACK"

2. Authorities were concerned that the Government might introduce additional holdback above what it is already announced. However the Government has introduced amendments to the Local Government Finance (No 2) Bill in Committee to provide that any scheme to withhold grant from individual authorities who have failed to meet Government targets in 198~~2~~<sup>and</sup>/84, for subsequent years would have to be set out in Rate Support Grant Report before the beginning of the grant year. In addition ~~for~~ 1982/83 it has been announced that the Government will observe the spirit of these amendments and will not apply any more severe scheme of specific holdback than has already been announced. However the Secretary of State retains the power to apply general holdback, by reducing the total amount of grant available for distribution to all authorities.<sup>7</sup>

82/83  
Hold-back



## EFFECT ON RATES

1. The Government does not publish estimates of the effect the RSG Settlement will have on domestic rates. This is because increases depend on the spending decisions of over 400 local authorities. <sup>However</sup> the Government has said that if local authorities seek to achieve its expenditure targets, rate increases will generally be low in 1982/83. It has also pointed out that moderate rate increases can only help commerce and industry, on which economic development and the creation of new jobs depend.

## BACKGROUND (Estimates not announced)

2. On the assumption that authorities budget, and rate, to spend at the Government's target levels, but also allow  $2\frac{1}{2}\%$  contingency margin:

i. The average domestic rate increase would be +2 % over 1981/82 over the 1981/82 average including supplementaries, and +1 % for non-domestic rates.

3. However on the assumption that not all authorities will attempt to meet their targets, the best estimate of the likely average domestic rate increase in 1982/83 is +11 % over the average 1981/82 figure. This is equivalent to 14 % over the original April 1981 figure. The equivalent figures for non-domestic rates are +11 % and +15 %.

82/83  
Effect on Rates



LONDON ARRANGEMENTS 1982/83

THEMES TO PURSUE

Increase in grant percentage

1. As part of the 21 December proposals, the Government announced an increase in the portion of London's rateable values which are discounted in calculating grant. (This discount has existed for many years and recognises the high rateable value in London and the relatively high rates which it gives rise to)) It appeared, however that because of the way that other parts of the settlement interacted with this decision, not all London authorities were benefiting equally from this change. Therefore a technical change was incorporated in the RSG report to correct this. However in order to avoid prejudicing the grant entitlement of any other authorities a small increase (£25m) was made in the grant total. That brought the percentage up from 56% to 56.1%.

2. The authorities <sup>which</sup> gain from the additional £25m depends on the actual pattern of spending by local authorities. If authorities spend at target, much of the additional grant would go to those London authorities that are in the safety net, including for example some £9m to ILEA. However if they spend at higher levels, the distribution will be different. For example, on the budget figures which ILEA appear to be contemplating (substantially above target) they would lose all this grant (through the operation of negative marginal rates of grant), which would therefore be spread around the rest of the country.

82/83  
London  
Arrangements



## INNER CITIES

## THEMES TO PURSUE

Capital Expenditure

1. It is capital expenditure which is most important to making a permanent impact on inner city problems. In the urban programme resources have increased by 26% in cash terms (16% in real terms on 1981/82). Gross provision for local authority housing investment is also up 3% in real terms on 1981/82. This will allow the first increase in spending since 1974/75. The share of the total HIP allocation going to partnership and programme authorities is the highest ever - 34.6% compared to the previous high of 33.8% in 1980/81.

Current Expenditure

2. The Government accepts the importance of the services provided by local authorities in the inner city areas. However the inner city authorities cannot be exempt from the local reduction in local government revenue spending. All the partnership districts are spending above their GRE in 1981/82 - in 4 cases 50% or more above GRE. Only 3 have met the volume target set by the Government in 1981/82 - among the others spending ranges up to 10% above target. Such high levels of spending impose heavy burdens on ratepayers. This of course has a serious effect on local enterprise, acts as a brake on development, and prevents local businessmen employing more staff (including of course school-leavers).

## BACKGROUND NOTE

GREs

3. GRE decisions for 1982/83 have benefited the inner city authorities. Indicators of social and economic deprivation on which they score high have been given added weight in both Education and Personal Social Services GREs.

Grant

4. If the partnership boroughs in London spend at target, they will all get more grant in cash in 1982/83 compared to 1981/82. The same is true of Liverpool and Birmingham.

Rate increases

5. If the partnership authorities spend at target, they should be no need for large rate increases in 1982/83. In London in particular the boroughs should have scope to reduce their rates. It of course should be noted that the increased grant and low rate increases are dependent on responsible attitudes among inner city authorities in achieving the Government's targets.

OTHER  
Inner Cities



PAY

1. The RSG settlement assumed increases in earnings of 4% from due settlement dates after 15 September 1981 until March 1983. LG settlements in the current round are for police (13.2%) and firemen (10.1%) - both indexed; and manuals (6.9%). The craftsmen have rejected an offer giving the same flat rate as the manuals (but on lower percentage); and the teachers a 3.4% offer. An offer may be made to the main white collar groups towards the end of April (settlement date July).

2. The manuals have in recent years set a going rate for LG and more widely.--But this year:

- a. LACSAB has stated publicly that the 6.9% settlement should not be regarded as a precedent for other groups who must negotiate on the merits of their own situation (the manuals bear the brunt of LG manpower reductions and, as a group, their wagebill outturn has been in the last 2 years within the RSG pay assumption);
- b. the offer to the Civil Service and subsequent developments may have a significant influence on attitudes in negotiations for the teachers (where Government is involved) and for the white collar groups (where it is not).

On the other hand, most local authorities are likely to have budgeted on worst case assumptions and, as with the manuals, the political attitudes of the employers sides of the autonomous negotiating bodies could be a decisive factor (the non-manuals group is fairly evenly balanced with a Conservative Chairman).

3. The police settlement preceded the 15 September 4% deadline and its full cost is taken into account in the RSG; the firemens settlement represents an excess above the 4% factor.

4. In the context of annual pay settlements generally, those for LG have been reasonable in recent years even though the levels of settlement and outturn overall has exceeded RSG provision. The LACSAB line is one that Government wholeheartedly endorses; if unnecessary burdens are not to be placed on ratepayers, the groups yet to settle cannot expect settlements to mirror that of the manuals whose circumstances are different.

OTHER  
Pay



## TRANSPORT POLICIES

### BACKGROUND

#### Greater London Council

1. On 17 December the House of Lords ruled that both the increase in subsidy by the GLC to London Transport to enable the latter to reduce fares by 32% and increase services, and the supplementary precept which was to have financed it, were illegal. Accordingly for 1981/82 the GLC have withdrawn their supplementary precepts and are paying London Transport only the amount of revenue support (£86m) owing from the original 1981/82 budget set by the outgoing Conservative administration. As a result LT has an uncovered deficit of about £125m by the end of March. The boroughs have made arrangements to refund ratepayers, largely by offsets to the 1982/83 rate demand.

2. To comply with the Lords ruling London Transport submitted a budget to the GLC for a 100% fare increase on 21 March, 5% to 10% cuts in service and repayment of the £125m deficit over 5 years. After taking Counsel's advice, <sup>the</sup> GLC were concerned that support at this level and failure to clear the deficit in 1982 would not meet the requirements of the 1969 Transport (London) Act, nor their fiduciary duty given the reductions in block grant that would result.

3. The Government consider that the GLC were taking too restricted a view on both these legal issues. The Secretary of State for Transport indicated that he considered the LT budget to be legal. Subsequently the Attorney General's opinion on both these issues was sent to the GLC.

#### West Midlands

4. The West Midlands 14p supplementary precept to pay for fare reductions and free travel for the unemployed was also challenged in the High Court. However just before the decision quashing the supplementary precept was announced, West Midlands declared it null and void. Consequently the Council has announced a 70% fare increase from 28 February, and is reported to be contemplating further fare rises later this year.

5. The County Council were very concerned about the implications of the High Court's decision [the transport activities of Metropolitan counties are governed by the Transport Act 1968 and so the case is not exactly similar to the GLC]. The Council was concerned that they might be subject to prosecution if they failed to meet the Government's expenditure target, although they intend to make significant reductions. This too seems to be a too restrictive view on the legal issue.

#### Merseyside

6. Merseyside have also been taken to the High Court because of their supplementary precept levy to pay for their cheap fares policy. However in their case the supplementary precept was upheld, principally on the grounds that the Government's grant had not been reduced as a result of the increase in expenditure. ~~It is thought likely that this case will be appealed.~~



RATING  
Alternatives  
to Domestic Rates

DG

ALTERNATIVES TO DOMESTIC RATES

THEMES TO PURSUE

Green Paper

1. The Green Paper on Alternatives to Domestic Rates reaffirms the Government's commitment to reform. Inevitably it reflects the facts that each of the alternatives present problems to be overcome and that there is no consensus as yet on the form that the future system should take.

Abolition of Domestic Rates

2. The Government's aim is to develop a satisfactory alternative. But the existing system must be discussed in setting the scene for possible changes and it at least has a claim to consideration when <sup>the Government</sup> looks at the alternatives.

Timing of Legislation

3. This must depend upon consultation and decisions on which options should be adopted. The Government is anxious to press ahead and make real progress quickly on this.

BACKGROUND NOTE

4. The Green Paper which was published by Secretaries of State for the Environment, Scotland and Wales, on 16 December reaffirms the Government's commitment to reform, comments have been invited from local government, professional bodies, commerce and industry and the public on the Green Paper and the issues it raises. The deadline for comments is 31 March. It is then aimed to produce proposals for a scheme which will remedy the shortcomings of the present system while commanding wide support.



INTERIM RATING MEASURES (LOCAL GOVERNMENT FINANCE (No 2) BILL: PART ONE)  
THEMES TO PURSUE

1. Traditionally most local authorities provided for contingencies in their annual budgets instead of relying on supplementary rates to finance unforeseen items of expenditure during the year. However in the last year there has been a spate of supplementary rates from high spending authorities who have failed to meet the Government's expenditure targets. This has been particularly true in newly elected labour county councils - the GLC and the West Midlands MCC are the most obvious examples. The LGF (No2) Bill will, however, prevent newly elected councils from imposing hasty supplementary rates on their rate payers to satisfy ill considered manifesto commitments.
2. Some local authorities have argued that they should be allowed to issue supplementary rates if pay and price increases seem likely to exceed the Government's provision for such increases in the RSG Settlement for the year. The Government disagree with this. The pay and price assumptions in the settlement are as much a guideline as a forecast. Pay lies in the hands of authorities themselves. Such an exemption would drive a coach and horses through the Government's efforts to fight inflation and protect ratepayers from unexpected demands for supplementary rates part way through the year. Treasurers are experienced in coping with the uncertainties of inflation. They have managed in England and Wales without significant recourse to supplementary rates and in Scotland without them at all.
3. The abolition of supplementary rates and precepts is an interim measure as far as a domestic sector is concerned, pending the Government's proposals for reform which will spring out of the Green Paper. The ban on supplementary rates and precepts in the non-domestic sector is likely to be continued.
4. The Government has dropped its proposals for special protection for non-domestic ratepayers from very high rate levels. This has been dropped because the original proposals would have had to be financed by heavier burden on domestic ratepayers. This might have been a reasonable proposition provided that domestic ratepayers had been first given the chance to express their views on the prospect of such high rate levels. However that safeguard, which was to be provided by the referendum, is now no longer available.



5. The Government is also concerned about business rates as well as alternatives to the domestic rating system. However the reform of the domestic rating system will represent a major change in the taxation system as a whole, for the sums of money involved would be very large. To consider the abolition of non-domestic rates would make an already difficult task virtually impossible. However, the Green Paper considers several long term measures to ensure that local authorities will not be able to finance excessively high levels of expenditure by increasing non-domestic rate bills. The Government will not hesitate to introduce such measures if they prove necessary.

#### BACK GROUND NOTE

6. Part one of the LGF Bill (which had its second reading on 18 January and is now in Committee) provides for the abolition of supplementary rates and supplementary precepts in England and Wales. It has effect from the financial year 1982/83 and requires local authorities (and other bodies precepting upon them) to make or issue rates and precepts for complete financial years. It also provides for the interest payable in respect of money borrowed by local authority to be at first charged on its revenues. This is analogous to the position in Scotland where local authorities are unable to levy supplementary rates. This Part of the Bill also permits the Greater London Council to apply to the Secretary of State for approval to borrow for revenue purposes. This puts the GLC in a similar position as regards revenue borrowing, with the approval of the Secretary of State, and other local authorities under the local government Act 1972. (Borrowing by the GLC for capital expenditure will continue to be subject to the annual GLC Money Bill).



DLOS

## DIRECT LABOUR ORGANISATIONS (DLOS)

1. DOE and Welsh Office Ministers recently completed a thorough and wide-ranging review of the practical operation of the legislation to control local authority dlos which came into operation in England and Wales on 1 April 1981.
2. Ministers have decided that local authorities should be required to put a higher proportion of their construction and maintenance work out to competition with private contractors rather than be free to award it to their dlos direct. Amended Competition Regulations should be laid before Parliament on 11 March. These will gradually increase competition and block some loopholes. In particular, they will reduce the threshold for highway work (above which a council must go out to competition before awarding work to its dlo) from £100,000 to £50,000 and require authorities to put 30% of their maintenance work below the continuing £10,000 threshold for compulsory tendering out to such competition. *above a £300,000 cash threshold in a full year.* Both requirements will take effect from 1 October 1982 to give authorities time to adjust to the new requirements.
3. New Directions will require authorities to provide data on the amount of work they have put out to competition and on instances where a contractor's lowest tender for a job was rejected in favour of the council's own dlo's. These Directions, the amended Competition Regulations and an explanatory circular will be sent out on about 16th March.



NOTES FOR THE PRIME MINISTER'S ADDRESS AT THE LOCAL GOVERNMENT  
CONFERENCE LUNCHEON, KENSINGTON TOWN HALL, 13TH MARCH, 1982

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1. Local Government has an important role to play in backing up and carrying out the Government's economic strategy which is vital to the future of the country.
2. This means cutting public expenditure.
3. I know that despite the difficulties many Conservative Councils have succeeded in keeping within the financial guidelines required by the Government.
4. This is in sharp contrast with the profligate Left Wing dominated councils which have deliberately acted against the nation's interest by increasing their expenditure.
5. Fortunately Local Government is a democratically elected organisation and the electors have become increasingly aware of waste, extravagance and adherence to dogma practised by Left Wing authorities.
6. This year London Boroughs and a number of Districts face elections. Our candidates will be facing challenges not only from the Labour Party but also from Liberals and S.D.P.
7. This is a challenge that I know they will meet with confidence and the knowledge that Conservative Policies are the right ones and indeed the only ones to put Britain on the road to prosperity.
8. I know you will tackle the elections with determination and vigour and I wish all the candidates success.

JV/VWJ  
20.2.82