

cc Local Govt
(Relation between)
Govt

CONFIDENTIAL

Prime Minister 2

cc Mr Whitson



To note - background
for Thursday's Cabinet.

PRIME MINISTER

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10/7

In considering the Chief Secretary's proposals for public expenditure reductions in C(79)25 you and colleagues will wish to be aware of the views of the local authority Associations as put to me at the Consultative Council on Local Government Finance on 9 July, and of the views of the local government trade unions which were put to me at my meeting with the TUC Local Government Committee on 10 July.

Four main points emerged from these consultations. First, the local authorities emphasise the point that in order to achieve substantial reductions of expenditure in 1980/81 they must have early notice so that they can plan ahead sensibly. I am sure that this point is right and that we ought to aim to let them know our decisions for 1980/81 before the end of July. It would also be helpful to let them know the position for the later years as soon as possible.

Secondly, the local authorities stress the point that reductions of any substantial order will require major reductions in standards of services. They also claimed it was essential for central government to review the present statutory requirements which had been placed on local authorities. They have given us a lengthy shopping list of requirements that might be relaxed in this way. I hope colleagues will agree that we can take precedent of our about-to-be concluded controls exercise to mount a similar review of statutory duties, and to report back so that the necessary legislative changes can be made in this autumn's session.

Thirdly, the local authorities, and even more so the trade unions, are naturally very concerned about the employment consequences of reductions of the order we have been discussing. It is difficult to quantify precisely at this stage, but we have estimated that the 7 1/2% reduction across the local authority field could mean a loss of 150,000 jobs in local government (from the present total of 2.1 million). Natural wastage will not be sufficient to produce all of this, and imposed redundancies will cause severe disruption of services, and will also be expensive in 1980/81 in terms of redundancy payments.

Finally, the local authorities and the trade unions question the feasibility of actually achieving reductions of this order by 1980/81. They point out that it takes time to reduce staff numbers even with compulsory redundancies, that the legislative changes needed may not be in force by the beginning of 1980, and that there will be fierce opposition to service reductions by the public and trade unions.

In spite of all these difficulties the local authority Association leaders assured us that local government as a whole would do its best to co-operate with the government in bringing about the necessary expenditure reductions as soon as they know what the target is. I believe that their co-operation in this way will be of great importance in carrying through the necessary reductions, and that we must continue to consult them closely as the exercise proceeds.

CONFIDENTIAL



My meeting with the union leaders took place this morning. Officials who have had experience of this sort of meeting tell me that by past precedents this was reasonably cordial and conciliatory. The union leaders have asked for a continuing programme of consultations, to which I have agreed. It will, of course, be largely for Ministerial colleagues to implement this in detail.

I am copying this to all Members of Cabinet, the Minister for Transport, and to Sir John Hunt.

in 118

MH

10 July 1979