



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

SCOTTISH LOCAL AUTHORITY CURRENT EXPENDITURE 1980-81

I have seen Robert Armstrong's minute of 12 September arguing for revision of our minuted decisions on local authority overspending in Scotland (E(80)32nd meeting, minute 1).

2. I disagree with his and George Younger's interpretation of the outcome of our discussions. I should certainly have argued against a decision on the lines of what is now proposed. It would seem wholly inconsistent to withhold RSG from authorities in England and Wales and not to do similarly in Scotland, notwithstanding the different statutory powers available North and South of the Border. It would seem particularly unfair to our own supporters in England and Wales, many of whom have made stringent cuts but will still be penalised. Conversely, very few firm savings have been identified by Scottish local authorities.

3. I therefore believe that, irrespective of what was actually said last Wednesday, our decision must be to withhold grant in Scotland as well as in England and Wales. If, after the year end, it is clear that the budgeted excesses have withered away, we can then reinstate the grant. In any case George Younger can redistribute it so as to match grant penalty to the degree of overspending which actually occurs.

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4. I am copying this minute to Michael Heseltine, George Younger and Sir Robert Armstrong.

P.S. Jenkins

for (G.H.)

16 September 1980

Approved by the Chancellor and signed in his absence.
The Private Secretary to the Secretary of State
for the Environment has asked me to
record that Mr. Heseltine fully agrees with
this minute.

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