

1980/81 Cash Limits and Pay

I have written to the Treasury asking them to consider the possibility of a cash limit on local government expenditure, and have warned them (as well as DOE) that you will probably raise this at E Committee. I should, however, point out that the Chancellor's own proposal in paragraph 13(ii) - which is elaborated in Annex B - will have the effect of putting a ceiling on local authority expenditure. Essentially, the proposal is that the more the local authorities raise their rates, the less RSG they will receive under the RSG Increase Order. Their total revenue (and therefore expenditure) will thus be determined at a fixed level.

Putting a cash limit on local authority expenditure will obviously achieve this more directly. But this would raise greater constitutional difficulties, and would almost certainly require main legislation. By contrast, the proposal to link the RSG Increase Order inversely to the rates and to pay can be provided for in the Miscellaneous Provisions Bill which Mr. Heseltine is introducing.

*We discussed
his proposal last time
but there was some
objection to it - I can't
quite remember what.*

B.

17 September 1979

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10 DOWNING STREET

From the Private Secretary

17 September 1979

The Prime Minister has read the Chancellor's paper for E Committee on Thursday - "1980/81 cash limits and pay" - and has noted the proposals for the Rate Support Grant. While she understands that the proposal to link inversely the RSG cash limit to increases in rates and/or pay settlements would have the effect of limiting expenditure by the local authorities, she wonders whether Ministers should not also consider the more direct approach of imposing a cash limit on local government expenditure. She will no doubt wish to raise this at E Committee.

I am sending a copy of this letter to David Edmonds (Department of the Environment) and Martin Vile (Cabinet Office).

T. P. LANKESTER

Tony Battishill Esq.
HM Treasury.

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Ally