



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

This was presaged by
Mr Henderson's minute reporting
on the situation in England
and Wales. See also the Chief
and Mr Little's at Flag B.
Secretary's minute at Flag A. I shall
I say that you too are extremely
concerned, and that you look forward

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Yes min

Prime Minister

LOCAL AUTHORITIES, SCOTLAND: BUDGET ESTIMATES 1980-81

to Mr Henderson's further
minute with further proposals
for action?

1. This minute reports on recent discussions which I have had with the Convention of Scottish Local Authorities about the level of current expenditure planned by authorities in Scotland in 1980-81 and on further action which I propose.
2. Shortly after we came to office I asked Scottish local authorities to reduce their planned expenditure in 1979-80 to the level assumed by my predecessor for the 1978 rate support grant settlement, and below that if possible. The provisional outturn indicates that net actual expenditure in 1979-80 is slightly below the settlement figure.
3. For 1980-81, the settlement figure was 2 per cent less in real terms than in 1979-80. Budget estimates submitted by authorities indicate that they are planning to spend some 4.5 per cent more than the settlement figure. Past experience suggests that normal shortfall would reduce the excess to 2-3 per cent. This is similar to the position in England and Wales reported to you by the Environment Secretary's minute of 7 May.
4. Budget estimates are available earlier in Scotland than in England and Wales because there are fewer authorities. In addition, any action to curb expenditure in the current year has to be taken well before the Scottish holidays in July.
5. When I met the Convention on 18 April I left them in no doubt that the planned excess, which is quite incompatible with the national interest, would have to be eliminated. I asked them to arrange for authorities to review planned expenditure without delay, and told them that I would issue a circular to all authorities. Because of the time factor I will have to issue the circular before the final decision is reached on action in England and Wales. A draft has been circulated to Departments primarily concerned with local authority expenditure in England and Wales to ensure that its terms will not cause any consequential difficulty. It will ask for revised budgets to be submitted. I also indicated that I would not hesitate, where this would be justified, to use my existing powers to

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reduce grant to individual authorities who have spent excessively and unreasonably and that I am considering seeking stronger statutory powers. (On the latter point my proposals will be submitted to H Committee shortly.)

6. I am sending copies of this minute to other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.

G.Y.

SCOTTISH OFFICE
12 MAY 1980



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