

CONFIDENTIAL



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12.

PRIME MINISTER

LOCAL AUTHORITIES - RETURN OF EXPENDITURE AND RATES

As the Minister with responsibility for much the largest local authority service in England I should like to make two comments on the Environment Secretary's minute of 7 May.

2. He notes that the local authority budgets for 1980-81 imply a volume of current expenditure at least $4\frac{1}{2}$ per cent above the RSG settlement level and suggests that normal shortfall might reduce this only to 2-3 per cent. On past experience, and having regard to pay settlements still to come, the actual excess in volume may well be less than this.
3. Second, the provisional estimates so far available to me for education, excluding meals and milk, show an excess of about 2 per cent (corresponding to the $4\frac{1}{2}$ % for all services) which, on past form, one would expect largely to disappear in the outturn. If there are considerable variations between services - more important, to my mind, than variations between authorities - this must influence the nature of any action we might take.
4. The Environment Secretary is wholly right to draw attention to the warning signs in local authority expenditure but we need more detailed analysis of the figures, and discussion of them with the local authorities, before reaching conclusions.
5. I am sending copies of this minute to the other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.

Mark Carlisle

MARK CARLISLE

(Approved by the Secretary of State and signed in his absence)

12 May 1980

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12 MAY 1960

