



*Local  
Govt*

Ref. A03121

PRIME MINISTER

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Local Authority Current Expenditure in Scotland in 1980-81

(E(80) 107)

BACKGROUND

There was a misunderstanding about the Secretary of State for Scotland's proposals on 10th September about the action to be taken to eliminate over-spending by local authorities in Scotland (E(80) 32nd Meeting, Minute 1, Conclusion 2). The Committee thought that he was speaking to the proposals in his paper (E(80) 94) that the sums payable under the first Increase Order in respect of the 1980-81 Rate Support Grant in Scotland should be abated by £40 million with an undertaking that part or all of this sum might be reinstated later (at the second Increase Order stage next year) in the light of actual expenditure performance; and that, at this second stage, the Secretary of State for Scotland would use his existing powers to match grant to performance by individual authorities. You summed up accordingly, and the decision recorded in the minutes was in line with that taken for England and Wales at the same meeting - a decision which has subsequently been announced. As I advised you in my minute of 12th September, however, the Secretary of State told me after the meeting that the proposal he had made in discussion differed significantly from that in his paper in that he had concluded that the best course in Scotland would not be to go for a general abatement with subsequent adjustment as in England and Wales but instead to wait for next year and then adjust the grants to individual authorities selectively in a single operation. He asked me to revise the minutes accordingly. In his minute of 16th September to you, the Chancellor of the Exchequer said that he and the Secretary of State for the Environment could not accept this interpretation of the discussion. The Chancellor was particularly concerned that the approach to Scotland should not be different from that to England and Wales. The minutes of that meeting therefore remain unamended; and the Secretary of State for Scotland, in his present paper, sets out his revised proposal in detail for the Committee's consideration.

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2. Of the total potential excess of £40 million in Scotland, the Lothian Regional Council is responsible for £25 million, and has no intention of making cuts. The other eight regional councils are already very near to the guidelines, are co-operating well, and should end up with outturns below budget. A number of district councils are still showing significant excesses in percentage terms though the absolute figures are relatively small.

3. If there were to be a general abatement of £40 million, £35.5 million would fall on the nine regional councils but, of this, only £4.5 million on Lothian. This approach would therefore fail to hit the main offender hard enough - and similarly for the district councils, and would penalise those authorities which are co-operating.

4. It is however possible for the Secretary of State for Scotland to reduce RSG selectively where individual authorities have incurred excessive or unreasonable expenditure, and in this way he can avoid the rough justice of a general abatement. He can do so under statutory powers which currently have no counterpart in England and Wales.

#### HANDLING

5. After the Secretary of State for Scotland has introduced his paper, the Chief Secretary, Treasury, and the Secretary of State for the Environment will wish to comment. (The Chancellor of the Exchequer will not arrive back from Washington in time to be at the meeting.) Our understanding is that both Ministers may now be willing to accept the Secretary of State for Scotland's revised proposals.

6. Whether this proves to be the case or not, there are two main questions to be decided:-

- (i) Are the Secretary of State's new proposals acceptable in themselves?
- (ii) If so, is it acceptable that a different approach should be adopted in Scotland from that already announced for England and Wales?

7. The Committee may well feel that, in view of the more detailed explanation now put to them, there is a good case for accepting the Secretary of State for Scotland's proposals - in essence that he is only faced with one major recalcitrant authority (Lothian) and that, given his powers, he can deal with them without having to penalise, even temporarily, all the other Scottish authorities.

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CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions:-

Either

Approving the proposal in paragraph 11 of E(80) 107 that the Secretary of State for Scotland should take selective action against individual authorities rather than make a general abatement.

Or

Confirming the decision taken on 10th September that there should be a general abatement.

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ROBERT ARMSTRONG

1st October, 1980

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