

(3)
Prime Minister



The original reply is
attached for your
signature, if you
must N. Edwards' name.

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From The Secretary of State for Wales

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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

Accept reluctantly - I think however
it is a political mistake
which could have easily
not.

27 October 1980

Dear Prime Minister,

Whilst I was in America you discussed with Wyn Roberts the letter from the Mayor of Ynys Mon Borough Council about exempting expenditure financed from the income from the Amlwch oil terminal from the new local authority capital expenditure control scheme. The issue was also raised by Lord Cledwyn during the Lords debate on the Local Government Bill on 9 October.

I have looked into this very carefully, and I have to say that to meet the Council's wishes seems bound to cause us quite considerable problems. The nub of the matter is that the Council does not wish to use the income from the oil terminal payments either to reduce the burden of their normal expenditure on the local ratepayers or to pay off existing loans. Instead they want to use it as a source of funding for special local capital projects over and above those they would otherwise be able to undertake.

To enable the Council to do this under our new capital control system I would have to augment the capital allocation they will otherwise receive by an amount equal to the oil money. There are only two ways of doing this. Either it comes from within the total available for the whole of Wales, which means that all other local authorities get slightly less, or it is an addition to the total, which involves an addition to the relevant cash limit and thus to total public expenditure.

We cannot hope to conceal the method which we adopt, since Lord Cledwyn has been promised a reply and other noble Lords are watching with keen interest because of their own particular concerns.

/I share your

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON
SW1



I share your sympathy with the case put by Ynys Mon, but neither of the possible courses is at all appealing. With considerable regret, I therefore feel that we should reply to the Mayor as originally proposed.

/ I am copying this to John Biffen and Michael Heseltine.

Leighton Davis

Approved by the Secretary of State
and signed in his absence