

File in Local Govt

cc Mr Dymally
Watters

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PRIME MINISTER

LOCAL GOVERNMENT FINANCE

I refer to Michael Heseltine's minute of 27 May, about the possible form and content of his announcement on 2 June.

I would strongly support the preference expressed by E Committee on 21 May for decision to be announced by a Written Answer. In my view, an oral statement will lead to undue complications with the announcements for Scotland and Wales and I must make it clear again, as I did at E Committee on 21 May, that if there is to be an oral statement for England there would have also to be one for Scotland (although not necessarily on the same day) if the Leader of the House is to be spared a Parliamentary row.

I should add that I do not now propose to make a statement on 1 or 2 June, pending resolution of the issue remitted to me by E Committee, in consultation with the Environment Secretary and the Chief Secretary, to decide on the action to be taken in Scotland. I would propose to incorporate my announcement in a Written Answer as soon as possible, so that appropriate action may be put in hand, well before my next meeting with the Convention of Scottish Local Authorities on 15 June.

On the draft statement itself, I note that the proposed reduction of £450m is not, as it need not be, directly related to the various preceding measures of overspend. Because of the approach described in E(81)55, I do not propose to announce any particular target for Scotland at this stage, because of the need to exercise discretion in individual cases. It would, however, be consistent with the E Committee decision if I were to aim for a withholding of £100m in respect of 1981-82, a proposal which I shall discuss with colleagues as soon as possible.

At the end of the draft statement, Michael proposes to refer to further measures for the medium and the longer term. I suggest that in the final sentence of the last two paragraphs the statement should be to the effect that "the Government" will be announcing consultative proposals for the medium term and a consultative document on the alternatives to domestic rates, in that many of these proposals will be made in a Great Britain context.

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I am sending copies of this minute to colleagues who attended the meeting of E Committee on 21 May, to Geoffrey Howe, Francis Pym, to Michael Jopling and to Sir Robert Armstrong.

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

28 MAY 1981

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