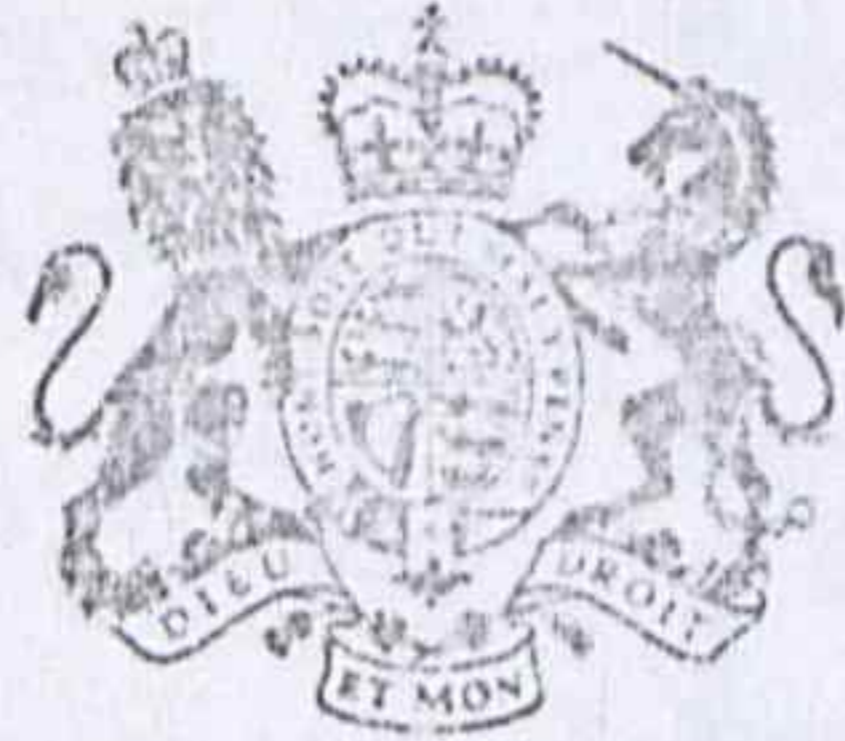


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10 DOWNING STREET

From the Private Secretary

cc	HO	MAFF	WO
	FCO	D/T	DHSS
	D/I	D/N	DES
	LPO	CST	D/Tpt
	D/M	CDLO	CWO
	MOD	SO	DOEM/S
			CPRS
			CO

29 May 1981

Dear David.

Government Finance

The Prime Minister has considered your Secretary of State's minute of 27 May with which he enclosed a draft Parliamentary Statement which he intends to make next Tuesday. She has also seen the Chancellor of the Exchequer's minute of 28 May, the Secretary of State for Scotland's minute of 28 May, and the Welsh Office letter of the same date.

The Prime Minister, first of all, accepts that the Statement should be oral, notwithstanding the points raised by the Secretary of State for Scotland. She has noted Mr. Younger's and Mr. Edwards' view that, if your Secretary of State is to make an oral Statement, they will have to make oral Statements as well. She would be grateful if they would reach agreement on the timing of their Statements with the Leader of the House.

As for the draft Statement itself, the Prime Minister agrees its basic substance, except that she goes along with the Chancellor on the question of committing the Government to legislation on longer-term alternatives to domestic rates in the 1982/83 Parliamentary Session: she believes it would be unwise to make such a commitment until Ministers have made further progress in considering what alternatives are desirable and feasible.

/ The Prime Minister

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The Prime Minister understands that Mr. Heseltine will be working on a final draft over the weekend. She has asked me to say that she believes it can be improved so as to make it more persuasive in political terms. She also hopes that the figuring can be made less confusing. As we discussed on the telephone yesterday, it is hard for those who are not totally immersed in the detail of local authority finance to understand how an £800 million budgeted excess in volume terms converts into a £1250 million excess in cash terms - especially when the implied rationale for the threatened £450 million clawback in cash terms is that it would be equivalent to the volume excess of £400 million which you expect in the out-turn. We agreed that it might be better to take out the figure of £1250 million altogether; or if not, to explain it a little more fully.

I am sending a copy of this letter to the Private Secretaries to members of E Committee who attended the 21 May meeting, and to the Private Secretaries to the Chancellor of the Duchy of Lancaster and the Secretaries of State for Scotland, Wales, Social Services, Education and Science and Transport, to the Chief Whip, the Minister for Local Government, Robin Ibbs (CPRS) and David Wright (Cabinet Office).

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D. A. Edmonds, Esq.,
Department of the Environment.

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