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Local Gov

10 DOWNING STREET

From the Principal Private Secretary

2 September 1981

Local Authority Current Expenditure 1981/82: Revised Budgets

I spoke to you earlier today about your Secretary of State's wish to issue a press statement this week based on the proposals set out in his letter of 14 August 1981 to the Chief Secretary.

I understand from Terry Mathews that Mr. Brittan accepts Mr. Heseltine's proposal that there should be an exemption for local authorities spending at or below their GRE. This has the effect of reducing the holdback of grant to about £310 million. I gather too that the Chief Secretary is prepared to go along with the exemptions proposed by Mr. Heseltine at a) and b) of Annex B to his letter of 14 August (ie expenditure on riots and emergencies and expenditure on the urban programme) but not with those at c)-g).

After consulting Mr. Heseltine you told me that, in the interests of making an early statement, he was ready, though reluctantly, to agree that the only exemptions should be those accepted by the Chief Secretary and set out in the previous paragraph.

I have now consulted the Prime Minister about all this. She understands that, if the exemptions mentioned above are made, the total holdback would be in the region of £290-300 million, assuming local authorities' present expenditure plans and present GRE's. She thinks that this is as far as we should go and that this should provide the basis of Mr. Heseltine's press statement.

I am sending copies of this letter to Terry Mathews (HM Treasury), to the Private Secretaries to all other members of Cabinet and to David Wright (Cabinet Office).

CW

Jeff Jacobs, Esq.,  
Department of the Environment.

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