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Prin. Inverte

cc. A. Duquid

This, and Mr. Heath's

detailed proposals,

A. Walters.

come to E next Wednesday:

but he is conversing

bringing the 8 September 1981

legislation forward in

time for 1982/83.

12/81

PRIME MINISTER

RATES

We face a very difficult decision about the timing of the interim measures which also relate to Norman Fowler's proposals for controlling the revenue finance of PTE's.

The latest budgetted overspend in local authority current expenditure for the current year is about £800 m (5½%) at Nov 80 prices or £1300 m in cash terms (8.0%).

Next year we are presently committed to reducing the expenditure target by a further 1% which when added to the 5½% overspend produces a 6½% required reduction. This assumes that we decide to validate the excess inflation in 1981-82 (ie increases in wages and prices above the level assumed in setting last year's cash factors). If we do not validate this excess, the required reduction becomes about 9%.

In reality we cannot expect to achieve more than a part of this. We can use the grant mechanism for this purpose but there are many authorities which will simply pass the effects of this on to the ratepayers and will refuse to make reductions in expenditure levels.

Our interim measures are designed to influence this attitude but in the normal process of legislation these will not actually bite until the 1983/4 financial year. Similarly Norman Fowler's proposals will block off the use of rate funds from excess subsidy in transport terms but will not affect the ability of authorities to use the released cash for other purposes (the GLC could use it for housing for example).

1982/83 as a

Either we accept ~~the~~ ^{it} year in which we have to rely on existing powers or we decide to press ahead quickly with our legislation with the intention of making it effective in 1982/3. There are great difficulties in doing this particularly in the Lords but I attach a timetable so that colleagues may be aware of what is involved. You will see that all the proceedings on the Bill in both Lords and Commons will have to take place between 4 November and 5 February, just over 2 months,

allowing for the Christmas Recess.

If we decide to press ahead quickly, we will need to take decisions on 16 September.

I am copying this to members of E Committee, the Leader of the House of Commons, the Secretary of State for Transport, the Chief Whips (Commons and Lords) and to Sir Robert Armstrong and to First Parliamentary Counsel.

hush

MH

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INTERIM MEASURES: TIMETABLE FOR INTRODUCTION IN 1982/3

16 September:	Policy approval given by E
2 November:	Draft Bill to Legislation Committee
4 November:	New Session of Parliament; Bill introduced at earliest opportunity
18 November:	2nd Reading of Bill
Say, mid-December:	RSG settlement for 1982/3 announced, includes details of interim measures (ie threshold limits) subject to approval of legislation
18 December:- 11 January: (provisional)	Christmas Recess
5 February:	Royal Assent
8 February:	Statutory instruments laid (affirmative resolution?)
18 February:	SI receives approval by affirmative resolution