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Econ. Pol.
Public Aff.
at Harth
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NOTE OF A MEETING HELD AT 10 DOWNING STREET ON WEDNESDAY 18 NOVEMBER 1981
AT 8:30pm TO DISCUSS PUBLIC EXPENDITURE ON ENVIRONMENTAL SERVICES

Present

The Prime Minister

Home Secretary

Secretary of State for
the Environment

Chief Secretary,
Treasury

Minister for Housing and
Construction

Chancellor of the Exchequer

Secretary of State for
Wales

Minister for Local Government and
Environmental Services

Parliamentary Under Secretary of State
Scottish Office (Mr Rifkind)

Mr P L Gregson

Mr D J L Moore

The meeting had before it the Annex on the Department of the Environment's other environmental services to the Home Secretary's draft paper on the work of MISC 62, circulated by the Prime Minister's Private Secretary on 13 November.

The Home Secretary said that, by comparison with the Secretary of State for the Environment's proposals for this programme, the Chief Secretary, Treasury had recommended cuts totalling £110 million in 1982-83 and £150 million in each of the two following years. These proposed cuts were made up of £85 million in 1982-83 and £100 million in each of the two later years in capital expenditure by the Regional Water Authorities with the balance coming from cuts in capital expenditure by local authorities on their services within this programme (refuse collection and disposal, recreation, planning, assistance to industry, derelict land reclamation and coast protection). MISC 62 had recognised the force of the Secretary of State for the Environment's objections that such cuts would fall on capital programmes which had already been drastically reduced over the past few years and would be damaging to the construction industry. On the other hand, in contrast to many of the options considered by MISC 62 for other programmes, these reductions could be easily achieved in practice and would involve neither legislation nor the breaking of public commitments. In view of this, and of the overriding objective of reaching agreement on public

SECRET

expenditure totals as near as possible to those proposed by the Chief Secretary in C(81)51, MISC 62 had recommended that the Chief Secretary's proposals for this programme should be accepted. If they were the total provision for the programme would be, from 1982-83, £3635 million, £3764 million, and £3909 million.

The Secretary of State for the Environment said that although such cuts could be made they were sensitive politically. They would fall on the private sector construction industry, where unemployment was already high, and the industry would be bitterly critical of the Government for this. The most by which he could agree to reduce his own proposals for the programme would be £80 million in 1982-83 and £100 million in each of the two following years. This was short of the Chief Secretary's proposals by £30 million in 1982-83 and by £50 million in each of the following years. While these figures might seem small in the context of public expenditure totals overall they were significant in relation to the particular capital programmes concerned and to the current problems of the construction industry. Before reaching final decisions on these programmes there were two other proposals which he would like to discuss urgently with the Chief Secretary. First, he now had proposals for introducing private sector financing into the water industry and this could lead to reductions in public expenditure in the later years of the Survey period. Secondly, he wished to discuss the treatment of local authority capital receipts from the sale of land and other assets. The latest returns showed that such receipts in 1981-82 might be £700 million higher than expected and if they were not spent in the year this would lead to a net reduction in public expenditure. He would like to consider whether, contrary to present practice, these receipts could be used to finance investment in 1982-83 which would not then be scored as additional public expenditure.

The Prime Minister, summing up the discussion, said that while the meeting recognised the disadvantage of capital cuts on these programmes it was necessary to make them in full, as recommended by MISC 62, if the Government's overall objectives for public expenditure were to be achieved. The Secretary of State for the Environment should, therefore, consider urgently, and in advance of the meeting of Cabinet on 26 November, whether he would be willing to accept the programme for other environmental services recommended by MISC 62.

SECRET

The meeting noted that he would also write to the Chief Secretary, Treasury on the suggestions, which he wished to discuss, for the financing of the water industry and for the treatment of local authority capital receipts.

The Meeting -

Invited the Secretary of State for the Environment to report further, and as soon as possible, as indicated by the Prime Minister in her summing up of their discussion.

18 November 1981