

Teleprinted to PM in Cornwall
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PRIME MINISTER

cc: Press Office

LOCAL AUTHORITY EXPENDITURE ARISING FROM CIVIL DISTURBANCES

The Home Office have received very strong representations from the Local Authority Associations about the additional burden of expenditure falling on those Authorities where there have been riots. Lord Belstead made it clear at the Consultative Council on Local Government Finance on 4 August that the Government were willing to help.

The Home Secretary and the Chief Secretary have now agreed a scheme for Government assistance. DOE are recommending the scheme to Mr. Heseltine, and he is most likely to agree. The Home Office and Department of the Environment would like to announce it on Monday since a number of Local Authorities are threatening to raise supplementary rates on the grounds that HMG is unwilling to help. The Merseyside/^{County}Council is, for instance, meeting on 11 August to discuss a possible supplementary rate.

The scheme is set out in the attached letter for me to send to the Association of Metropolitan Authorities (AMA) on your behalf, which takes the form of a reply to a letter the AMA wrote to you about this problem. You will see that the scheme is at this stage put forward as the basis for a discussion with the Local Authorities, but they are most likely to see it as a generous offer of help.

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There is one key difference between this new scheme and the existing scheme whereby the Local Authorities receive a grant towards costs exceeding the product of a penny rate in the police force area concerned. The new scheme operates where the additional costs exceed the product of a penny rate in the district in which the main rioting occurred, which will be much smaller than the police force area. More Local Authorities will therefore benefit. The extra costs of £45 m. caused by the riots and the need to pay compensation will have to be largely met from Local Authority or central Government expenditure in any case. The scheme proposed here would simply increase the amount falling to be met from the PSBR from £18 m. (under the existing scheme) to £27 m. (under the new scheme). In agreeing to this, the Chief Secretary has emphasised that he sees it as a one-off proposal, and not as a precedent.

Content that I should write to the AMA as agreed by Mr. Whitelaw, the Chief Secretary and most likely by Mr. Heseltine? And that the terms of the letter should be made public?

7 August 1981