



B  
Prime Minister

MS 16/7

PRIME MINISTER

RATE SUPPORT GRANT SETTLEMENT (WALES) 1983-84

Colleagues will have seen E(82)59 from the Secretary of State for the Environment about the 1983-84 RSG Settlement in England. I think it might be helpful if I set out in advance of our discussion of that paper on Tuesday my views on the issues it covers, insofar as Wales is concerned.

I shall be meeting the Welsh Consultative Council on 29 July. The background to that meeting will be the response of Welsh local authorities to my request for revised budgets for 1982-83. I shall have the final figures with me on Tuesday, but it looks as though the 4.8% excess on total expenditure indicated by the original budgets will have been reduced by more than half. With some technical adjustments to GREs and the element of budget drift which is bound to occur, Welsh local authorities will argue that this is as near to target as could be reasonably expected. It is indeed a most creditable performance.

It will be from that starting point that we shall begin discussing the 1983-84 settlement.

Targets

I shall want to discuss this subject fully and frankly with the local authorities. Up to now they have resolutely opposed individual expenditure targets, and I must say I have every sympathy with them. There is an argument, however, that targets have helped in achieving the satisfactory outcome to the revised budget exercise. I need to consider very carefully what will be most effective in securing our aggregate target next year. If the answer is to set targets then I shall wish to do what I did this year and not allow any authority an exemption on the grounds that it is spending at or below GRE. I am very glad to see that Michael is proposing to start the consultations with English authorities on a similar basis.

Public Expenditure Provision

As colleagues will know from my letter of 22 June to Michael Heseltine I agree with the general case for an adjustment to the local authority aggregate current expenditure provision on grounds of realism. Whatever is agreed I expect the usual formula consequential to apply in respect of Wales. The amount

/this would ...



this would generate on the basis of Michael's £900m would be £53m, sufficient to allow for a cash increase of 6 per cent on original budgets (after allowing for NIS). The Chief Secretary indicated in his paper E(82)28 that costs are likely to rise by about 7 per cent overall between this year and next, and I have no evidence that Welsh local authority costs are likely to rise less. This would mean a real cut of about 1 per cent on this year's original budgets. I propose to maintain pressure on spending by making the cut 2 per cent and switching the small residual (about £7m) to augment local authority capital provision, as I did last year.

#### Aggregate Exchequer Grant

I agree with Michael's aim that authorities spending at target should be enabled to keep rate increases very low, and indeed that there should be no increase in the average domestic rate next year. To achieve this in Wales would require an Aggregate Exchequer Grant of £1004m. My officials will be in touch with Treasury officials to explain the figuring.

I hope that E Committee will agree that I should proceed with consultations with Welsh local authorities broadly on the basis I have outlined. I shall discuss detailed points bi-laterally with the Chief Secretary as necessary.

I am copying this minute to Michael Heseltine, George Younger, all members of E Committee and Sir Robert Armstrong.

C Evans

16 July 1982

NICHOLAS EDWARDS

(Approved by the Secretary  
of State and signed in his  
absence)