



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

27 July 1982

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PA.

Dear Michael

LOCAL GOVERNMENT EXPENDITURE

/ I enclose a copy of the text of the oral statement to be made by my Secretary of State later today.

I am sending copies to the Private Secretaries to the Leader of the House, the Paymaster General, the Chief Whip, the Secretaries of State for Education, Wales, Scotland, Transport, Health and Social Services, Trade, the Chief Secretary, the Home Secretary, and to Sir Robert Armstrong; and to the Chief Press Secretary at No. 10.

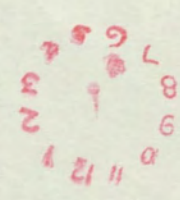
The statement is, of course, subject to minor drafting changes and I will let Murdo MacLean have his additional copies for the Opposition later on.

for em  
D A Edmonds

D A EDMONDS  
Private Secretary

Michael Scholar Esq  
No 10

UNITED STATES  
POSTAL SERVICE



27 JUL 1982



STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT  
27 JULY 1982 - HOUSE OF COMMONS  
LOCAL GOVERNMENT EXPENDITURE

With permission, Mr Speaker, I should like to make a statement on local authority expenditure.

The Government's overriding objective is to reduce the level of current spending by local authorities and thus to secure the low level of rate increases that are now possible and desirable.

For 1981-2 I can tell the House that I shall be tabling a Supplementary Report later this week to reduce by £201m the total of grant available for distribution.

This holdback will fall on those authorities that did not meet the Government's targets in 1981-2.

For 1982-3 it is also necessary to reduce grant for overspending authorities.

Authorities will this week be sent details of the proposed grant reductions, which on the basis of their budget returns will total £312m.

I propose to make a Supplementary Report in the autumn.

For 1983-4 I am now giving local government the earliest possible indications of the Government's plans for local government spending and our proposals for the next year's rate support grant settlement.

This will give all local authorities ample time to plan their budgets now and make what changes are necessary.

Expenditure Provisions

As in 1982-3 I propose to give expenditure guidance to individual local authorities.



There will be 2 basic rules: for those authorities who are budgetting to meet their targets: a 4% increase on their budgets for this year.

After allowing for a difference of 1% between these budgets and likely outturn this means an effective 5% increase on this year's cash.

For the remaining authorities, we shall only assume that extra 5% on the targets that we set for this year.

I am today sending to local authorities exemplifications for each authority together with a memorandum explaining how we propose to calculate the expenditure guidance figures.

Copies are being placed in the Library of the House.

These targets represent an increase in the public expenditure provision of 5% or £900m to £19.5 bn.

In aggregate this is 2% more than provided in local authorities' budgets for 1982-3.

It is probably 3% more than outturn allowing for the possibility of a 1% difference between budget and outturn.

£19.5 bn does not reflect the Government's view of what ought to be spent.

It rather reflects the problems of securing economies faster than local government has ever achieved.

Accordingly, I propose that the current expenditure total on which Grant Related Expenditure assessments will be calculated should be substantially lower at £18,800m.

This is £800m above the total current expenditure component of GRES for 1982-3.



### Grant Abatement

Authorities which exceed these guidance figures will risk a more severe loss of grant than in this year.

### Aggregate Exchequer Grant

The rate levels in each authority depend not only on the expenditure levels but also on the level of grant.

I propose that the amount of Aggregate Exchequer Grant should be £11.8 bn on the basis of local authorities spending at the level of their guidance figures.

This is over £300m or almost 3% more in cash than in the 1982-3 settlement.

Our present estimate is that the Aggregate Exchequer Grant will be about 53%.

I shall announce details of grant distribution arrangements and of the grant abatement scheme later in the year.

### Consultation

I shall be meeting representatives of local government in the Consultative Council for Local Government Finance later today to discuss these proposals.

The decision about the level of rates is now entirely a matter for each authority.

If they budget to spend within the guidance figures I have proposed, many authorities may find that they need no rate increases at all.

That is the prize.

With moderate pay settlements, and careful budgetting, it can be achieved.



Prime minister 2

CONFIDENTIAL

To be aware. You saw the  
earlier draft.

2 MARSHAM STREET  
LONDON SW1P 3EB

Wm  
ref

My ref:

Your ref:

26 July 1982

mt

Dear Terry

RATE SUPPORT GRANT 1983-4

/ As I said in my letter on Friday, I am now able to attach a first draft of the Secretary of State's proposed Parliamentary statement for tomorrow afternoon. It is, of course, subject to further amendment, but the Secretary of State envisages that the final form will be pretty much on the lines of the attached draft.

I am copying this to the recipients of my letter of Friday, 23 July.

Could I have any comments by 6.00 pm today?

Your very  
D A E

D A EDMONDS  
Private Secretary





STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

27 JULY 1982 - HOUSE OF COMMONS

LOCAL GOVERNMENT EXPENDITURE 1983-4

With permission, Mr Speaker, I should like to make a statement on local authority expenditure.

The Government's overriding objective is to reduce the level of current spending by local authorities and thus to secure the low level of rate increases that are now possible and desirable.

In view of the importance of this I am giving local government the earliest possible indications of the Government's plans for local government spending in 1983-4 and our proposals for the 1983-4 rate support grant settlement.

This will give all local authorities ample time to plan their budgets now and make what changes are necessary over the longest possible practical timescale.

Expenditure Provisions

As in 1982-3 I propose to give expenditure guidance to individual local authorities.

There will be 2 basic rules: for those authorities who have co-operated: a 4% increase on this year's budget.

After allowing for a difference of 1% between budget and likely outturn this means an effective 5% increase on this year's cash.

For those who have not: a continuation of this year's target, uprated by rather less than the likely rate of inflation.

This is a tough but achievable target.

To set anything lower could lead to redundancies that would offset any savings.

As a consequence the Government propose to increase the public



expenditure provision by 5% or £900m to  
£19.5 bn.

In aggregate this is only 2½% more than provided in local  
authorities' budgets for 1982-3.

It is probably 3½% more than outturn allowing for the  
possibility of a 1% difference between budget and outturn.

I must make it clear that this figure reflects the problems of  
securing economies faster than local government has ever achieved.

It does not reflect the Government's views of what ought to be  
spent

Accordingly, I propose that the current expenditure total on which  
Grant Related Expenditure assessments will be calculated should be  
substantially lower at £18,800m.

This is more than £900m, or 5%, above the total current expend-  
iture component of GRES for 1982-3.

#### Grant Abatement

Authorities which exceed these guidance figures will risk a more  
severe loss of grant than in this year.

#### Aggregate Exchequer Grant

The rate increases in each authority depend not only on the  
expenditure levels but also on the level of grant.

I propose that the amount of Aggregate Exchequer Grant should be  
£11.8 bn on the basis of local authorities spending at the level  
of their guidance figures.

This is over £300m or 2½% more in cash than in the 1982-3 settle-  
ment.

However all grant abated under the severe holdback arrangements



which I envisage will be withheld.

The amount actually distributed will, therefore, depend on local authorities own spending decisions.

I shall announce details of grant distribution arrangements and of the grant abatement scheme later in the year.

### Consultation

I shall be meeting representatives of local government in the Consultative Council for Local Government Finance later today to discuss these proposals.

The decision about the level of rates is now entirely a matter for each authority.

If they budget to spend within the guidance figures I have proposed, many authorities may find that they need no rate increases at all.

That is the prize.

And it can be achieved in many of those authorities that have co-operated with the Government with little change in staff levels.

Those that continue to ignore our guidelines will come under increasing pressure from their ratepayers who will be forced to pay avoidable bills necessitated only by policies that run counter to the best interests of both the local community and the national economy.



## Local Government Expenditure

3.31 pm

**The Secretary of State for the Environment (Mr. Michael Heseltine):** With permission, Mr. Speaker, I should like to make a statement on local authority expenditure.

The Government's overriding objective is to reduce the level of current spending by local authorities and thus to secure the low level of rate increases that are now possible and desirable. For 1981-82 I can tell the House that I shall be tabling a supplementary report later this week to reduce by £201 million the total of grant available for distribution. This holdback will fall on those authorities that did not meet the Government's targets in 1981-82. For 1982-83 it is also necessary to reduce grant for overspending authorities.

Authorities will this week be sent details of the proposed grant reductions, which on the basis of their budget returns will total £312 million. I propose to make a supplementary report in the autumn.

For 1983-84 I am now giving local government the earliest possible indications of the Government's plans for local government spending and our proposals for the next year's rate support grant settlement. This will give all local authorities ample time to plan their budgets now and make what changes are necessary.

As in 1982-83, I propose to give expenditure guidance to individual local authorities. There will be two basic rules. For those authorities which are budgeting to meet their targets there will be a 4 per cent. increase on their budgets for this year. After allowing for a difference of 1 per cent. between those budgets and likely outturn, that means an effective 5 per cent. increase on this year's cash.

For the remaining authorities, we shall only assume that extra 5 per cent. on the targets that we set for this year. I am today sending to local authorities exemplifications for each authority together with a memorandum explaining how we propose to calculate the expenditure guidance figures. Copies are being placed in the Library of the House.

The targets represent an increase in the public expenditure provision of 5 per cent. or £900 million to £19.5 billion. In aggregate, this is 2 per cent. more than provided in local authorities' budgets for 1982-83. It is probably 3 per cent. more than outturn, allowing for the possibility of a 1 per cent. difference between budget and outturn. The figure of £19.5 billion does not reflect the Government's view of what ought to be spent. It rather reflects the problems of securing economies faster than local government has ever achieved.

Accordingly, I propose that the current expenditure total on which grant related expenditure assessments will be calculated, should be substantially lower at £18,800 million. That is £800 million above the total current expenditure component of GREAs for 1982-83. Authorities that exceed those guidance figures will risk a more severe loss of grant than in this year.

The rate levels in each authority depend not only on the expenditure levels but also on the level of grant. I propose that the amount of aggregate Exchequer grant should be £11.8 billion on the basis of local authorities spending at the level of their guidance figures. This is over £300 million or almost 3 per cent. more in cash than in the 1982-83 settlement. Our present estimate is that the

aggregate Exchequer grant will be about 53 per cent. I shall announce details of grant distribution arrangements and of the grant abatement scheme later in the year.

I shall be meeting representatives of local government in the Consultative Council for Local Government Finance later today to discuss these proposals.

The decision about the level of rates is now entirely a matter for each authority. If they budget to spend within the guidance figures I have proposed, many authorities may find that they need no rate increases at all. That is the prize. With moderate pay settlements, and careful budgeting, it can be achieved.

**Mr. Gerald Kaufman (Manchester, Ardwick):** Why does the right hon. Gentleman constantly make a practice of presenting figures with the deliberate intention of misleading the House? Why does he claim that he is increasing public expenditure provision for local authorities by 4 per cent. when that claim makes no provision whatever for inflation? Is it not a fact that, even on the Government's unrealistic assumptions of 4 per cent. pay increases and 7.5 per cent. price increases, what he has just announced means a cut of 2 per cent. in local authority expenditure? On realistic assumptions of pay and price increases, will there not be a reduction of 3.4 per cent. in local authority expenditure?

Why does the right hon. Gentleman pretend that he is increasing rate support grant by 5 per cent. when in fact he is cutting it by 2 per cent.—a reduction of £258 million? On the basis of this year, the reduction will be particularly bad for the inner city areas which get only 18.6 per cent. of rate support grant.

Why does the right hon. Gentleman pretend that rates will not rise? Last year he said that increases would be low and they went up by 20 per cent. This year he said that increases would be reasonable and they went up by 15 per cent.—in both cases because of his rate support grant reductions. If he proposes to blame overspending for those rate increases, may I remind him that 61 per cent. of last year's overspenders were Tory councils and 56 per cent. of this year's overspenders are Tory councils? When Conservative Members cheered the penalties that he is bringing in for overspending just now, they were cheering penalties that he is imposing on Tory councils in their constituencies.

**Mr. Geoffrey Dickens (Huddersfield, West):** We are very fair.

**Mr. Kaufman:** The hon. Gentleman has a reputation for appreciating what is fair.

Is it not a fact that in the past three years the Secretary of State has cut rate support grant as a proportion of expenditure from 61 per cent. to 53 per cent. and that in cash terms he has cut rate support grant by more than £2 billion? Has not the Secretary of State's baneful meddling in and harassment of local authorities meant, and will it not continue to mean, record high rates, worse services and over 100,000 job losses to add to the present total of 3¼ million? The right hon. Gentleman has inflicted unparalleled damage on our system of local government. We must hope that this rate support grant settlement will be his last.

**Mr. Heseltine:** The right hon. Gentleman should be careful when accusing me of misleading the House when he tries to pretend that the cash facilities that I have



Monetary Fund starts in Toronto on 6 September, will the Government put forward proposals to the world's central banks to encourage even greater co-operation and stricter supervision of their commercial banks?

**The Prime Minister:** I am very much aware of that and of the danger that any default would produce, not only for one group of banks in one country, but, by a domino effect, for a number of banks. We are very much aware of what is happening, and the matter is frequently discussed at international meetings. We shall, of course, keep the matter very much in mind and make any proposals that we think fit at the time. It is vital not to lend too much, and undoubtedly a number of banks have been overlending, although not in this country.

Q4. **Mr. Dormand** asked the Prime Minister if she will list her official engagements for 27 July.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Dormand:** I support my right hon. Friend the Leader of the Opposition in urging the Prime Minister to give further consideration to meeting the additional costs involved in having the "Atlantic Conveyor" replacement built in Britain. Does the right hon. Lady realise that there is overwhelming support in Britain for such a decision? In view of the fine phrases that the right hon. Lady used only a few weeks ago about our ships during the Falklands

crisis, what possible justification can there be for the Government's narrow-minded and niggardly attitude, particularly when the Tyneside workers met every demand that was made of them during the crisis?

**The Prime Minister:** The Government have already offered a subsidy of 30 per cent. on the British Shipbuilders' price. That is a considerable subsidy. We are now considering what further can be done. It seems to me to be reasonable, both for the future of the shipbuilding industry, as well as to obtain that order, to ask for co-operation from all three parties involved. The Government are co-operating and will continue to co-operate, because we want that ship to be built in Britain. We look for some co-operation from Cunard, and we are entitled to look for some more co-operation from British Shipbuilders and all who supply it, particularly to reduce costs.

### Commander Michael Trestrail

**Mr. Thomas Torney** (Bradford, South): On a point of order, Mr. Speaker. I seek your guidance on an incident about which newspapers say that the House has been misled. I refer to the Home secretary giving the impression that Commander Trestrail had been the subject of proper security clearance, whereas we now know that he had not.

**Mr. Speaker:** That is clearly not a point of order. It must be pursued in some other way.



announced, both in grants and targets, are reductions. We are providing more cash for local authorities next year, not less. The entire basis of his case had been to assert harshness when in reality he knows as well as I do that over the past few years there has been one of the best pupil-teacher ratios ever in local government. The police force now has one of the largest strengths that it has ever had.

When the right hon. Gentleman refers to rate increases and suggests that they arose from the Government's decisions he fails to say that in the shire counties the Conservative-controlled authorities have made rate increases of about 10 per cent. while providing the same services whereas Labour-controlled authorities have made rate increases of about 30 per cent. That proves beyond peradventure that it was the decision of the Labour Party and its supporters in local government that created high levels of rating.

It seems that the Labour Party cannot understand that, when unemployment is created as a result of high rate increases because of high local authority expenditure policies, that situation can be reversed only if its supporters in local government will do what others have done in Conservative-controlled authorities and which has been proved to be possible.

**Mr. Charles Morrison** (Devizes): As it is my right hon. Friend's continuing and understandable desire that local authorities should limit their expenditure, will he give further consideration to reducing the number of local authority mandatory responsibilities? Some local authorities have been cutting consistently since 1974 and they could cut more and more easily if they had wider discretion on spending rate income and grants.

**Mr. Heseltine**: I understand my hon. Friend's anxiety. However, he will be aware that there are many authorities in each class of authority, with perhaps the exception of metropolitan counties, which are fulfilling their statutory duties within the Government's guidelines. That proves that it can be done.

**Mr. Christopher Price** (Lewisham, West): Some local authorities have been told by inspectors of the Secretary of State for Education and Science that their education provision is dangerously low and might be breaking the law as passed by the House. How are those authorities to face the dilemma of trying to please the Secretary of State for Education and Science in fulfilling their statutory responsibilities and trying to fulfil the arbitrary guidelines of the Secretary of State for the Environment? What are they to do?

**Mr. Heseltine**: Obviously the question is largely for my right hon. Friend the Secretary of State for Education and Science.

**Mr. Christopher Price**: No, it is solely for you.

**Mr. Heseltine**: It is obvious from an examination of the reports that substantial improvements can be achieved in teaching standards and the quality of education without increasing the cost of education.

**Mr. Stephen Ross** (Isle of Wight): I congratulate the right hon. Gentleman on making his views known to us at an early stage. However, does he accept that a cut of about 3 per cent. in central Government rate support grant for local authorities next year, when coupled with a 9 per cent. inflation rate and wage settlements, which are a fact of life, of about 7 per cent. for a 39-hour week, will make

local authorities' problems extremely difficult? Will the right hon. Gentleman accept also that in reality his announcements today will mean that cuts are bound to be made in services, some of which local authorities are obliged statutorily to provide, and that consequently the general public must expect to see cuts in social services, education and other services?

**Mr. Heseltine**: I am grateful to the hon. Gentleman for recognising that we have tried to meet the legitimate concern of local government to be given as early an indication of our ideas as is possible. That is what we have tried to do. The hon. Gentleman's approach, which is to assume that settlements that are taking place now, often at lower levels than he has mentioned, will be reached at the same levels next year, is one which I find self-defeating and encourages the inflationary cycle. As inflation falls, there must be an ongoing process in which the level of wage increases is below the level of inflation.

**Mr. Edward du Cann** (Taunton): I support my right hon. Friend's general objective of limiting expenditure throughout the nation and bringing it under better control. However, will he be prepared to give exceptional consideration to counties which have exceptional difficulties? I have in mind Somerset, which has suffered greatly from local government reorganisation and boundary alterations.

**Mr. Heseltine**: I am more than prepared to listen to my right hon. Friend's representations. However, he will understand that there are 412 authorities, all of which have special difficulties. In pursuing public expenditure constraint, it is difficult to single out one from another.

**Mr. T. W. Urwin** (Houghton-le-Spring): In preparing this further harmful statement for local authorities, has the right hon. Gentleman made any estimate of how many of those currently employed in local government will lose their jobs as a consequence of his decisions? Has he taken into account the injurious effects on social services that are operated by local government as a result of this further devastating cut in local government funding?

**Mr. Heseltine**: I think that the hon. Gentleman will on reflection recognise that the prospect of the low rating increases that I am talking about is probably one of the greatest incentives to job creation in the area that he represents that the Government could provide. To repeat the statements of pressure groups that urge more public expenditure as a means of avoiding job losses on an unacceptable scale is to disregard the invariable difference between what people say in advance and what happens in practice.

**Mrs. Angela Rumbold** (Mitcham and Morden): Will my right hon. Friend assure the House that authorities which in the past met their grant related expenditure targets will not be penalised in future in favour of authorities which have flagrantly overspent?

**Mr. Heseltine**: My hon. Friend will want to study the individual exemplifications, copies of which are available to the House. I must ask all local authorities to look for further economies in pursuit of the Government's public expenditure targets.

**Mr. Clinton Davis** (Hackney, Central): Will the right hon. Gentleman say how desperately deprived inner city areas—the borough that I represent is one—can



[Mr. Clinton Davis]

conceivably be helped by his announcement? Is not his real desire to see help cut for the aged and the infirm and to see help cut for the young unemployed and to add in every possible way to the burden of areas such as those which are already undergoing terrible deprivation? Are not his policies those of a miserable ideologue?

**Mr. Heseltine:** I am sorry that the hon. Gentleman should dismiss the largest urban programme ever as the policy of an ideologue. We are bringing more urban aid to areas such as the one that the hon. Gentleman represents than has ever been introduced by any Government in the past. He will be equally aware that for the first time since 1975 we have reversed the downward trend of capital housing allocations, to be greeted by a number of Labour authorities underspending significantly. The hon. Gentleman will realise that the best thing that we can do for the borough that he represents is to secure the rate increases there that industry can find in many Conservative-controlled authorities throughout the country.

**Mr. John Cartwright** (Woolwich, East): Will the right hon. Gentleman accept that the freedom for local authorities about which he spoke so glowingly is no more than freedom to choose between still further cuts in services and still further rate increases, especially in hard-pressed inner city areas where social problems are obvious? Will he confirm that cuts in rate support grant that goes to the inner city and inner urban areas more than wipe out the special help that is afforded by the urban programme, for which he has taken so much credit?

**Mr. Heseltine:** No, I do not accept that. A significant number of authorities of the sort to which the hon. Gentleman has referred have budgeted to ensure that they get substantial benefit from the programmes that we have on offer. If they decide to overspend on current expenditure, that carries a penalty that they know in advance. Today they know even further in advance and they will be able to budget so as not to incur a penalty. The hon. Gentleman will be aware that the Labour Government were prepared to introduce draconian cuts in local authority current expenditure and to halve the capital programme of local authorities because they found no other way of running the economy.

**Mr. Michael Shersby** (Uxbridge): Will my right hon. Friend expand on his statement by telling the House how his 1981-82 supplementary report will affect the massive political advertising expenditure of the GLC?

**Mr. Heseltine:** The GLC has lost its entitlement to grant because its expenditure is so far above the Government's guidelines. I dare to venture the view that is commonly held that the GLC is now indulging in extravagant and unnecessary expenditure at the ratepayer's expense.

**Mr. Arthur Lewis** (Newham, North-West): The Secretary of State mentioned reasonable or low wage increases. As the police are to receive a 10.7 per cent. pay increase, and as the London boroughs and the GLC are confronted with the prospect of a police precept which will increase because of expenditure on Buckingham Palace security, may we be assured that the borough councils that have no say in how economies can be made will not be

penalised? My local authority receives no extra police assistance but it must pay for it. Now there are to be cuts. Will the Secretary of State examine that aspect of the matter?

**Mr. Heseltine:** The method by which the Metropolitan Police precept is levied has not changed under the Government. I recognise that there is a problem with the Government's priorities. We have discussed it with the local authorities, especially the metropolitan counties. We bear the matter in mind and, as this is a consultative document, it will be considered carefully. The hon. Gentleman will be aware that the same position applies to the Inner London Education Authority, where substantial increases in expenditure must be faced by the London boroughs and the GLC.

**Mr. John Heddle** (Lichfield and Tamworth): Does my right hon. Friend agree that a large proportion of local government expenditure is in salaries and wages? Can he produce a comparison between the number of people employed per thousand population in Conservative-controlled and in Labour-controlled authorities? Does he agree that the ratepayers would get much better value for money if more ancillary services were transferred to the private sector?

**Mr. Heseltine:** My hon. Friend's question goes to the heart of the matter. The privatisation of refuse collection in Southend has led to the dustmen earning more money, the citizens obtaining a better service, the company making a profit and the ratepayers saving £½ million a year. As to a comparison between one authority and another, the treasurers of local government have published their own statistics which are freely available. They show beyond peradventure that the relative difference of cost of service provision between one authority and another enables substantial economies to be made without a serious reduction in services.

**Mr. R. B. Cant** (Stoke-on-Trent, Central): Is the Secretary of State aware that even local authorities which are anxious to cut expenditure in order to get off the hook of the penalties and holdbacks are faced with logistical problems? Speaking as the chairman of an education committee, I can say that the problem of school closures is paramount. Will the Secretary of State have a word with the Department of Education and Science? We shall know nothing about the advanced further education pool, which will have an enormous impact on our finances. One cannot get rid of polytechnic lecturers at less than 12 months notice.

**Mr. Heseltine:** The hon. Gentleman's question is relevant to the search for cuts. The fact that it takes time to make those cuts is one reason why we now have the best pupil-teacher ratio that we have ever had in Britain. Since I have been asking for the economies, pupil rolls have fallen by 7 per cent., which is far in excess of the reduction in teachers. I shall certainly draw the hon. Gentleman's point to the attention of my right hon. Friend the Secretary of State for Education and Science.

**Mr. Anthony Grant** (Harrow, Central): Is my right hon. Friend aware that the historic yardstick on which the previous rate support grant was based worked unfairly on authorities such as Harrow borough council, which tried in earlier years responsibly to restrain spending? Can that be taken into consideration? Is he further aware that in the



really spendthrift Socialist authorities, the lunacy still prevails whereby those who pay the rates do not have a vote and those who have a vote do not pay the rates? When will he do something about that?

**Mr. Heseltine:** I know of my hon. Friend's interest in the problems faced by Harrow borough council. I examined carefully the effect of the rate support grant settlements on authorities by class and the London boroughs come within that category. As to our longer-term plans for the formal abolition of domestic rates, we have now concluded the consideration period and we hope to make a decision and announcement on those matters as soon as possible.

**Mr. David Stoddart (Swindon):** Is the Secretary of State aware that he is getting a bad reputation as an itinerant axeman? Is he further aware that there is great resentment in Swindon following his visit to my constituency when he incited Wiltshire county council to make further cuts? It has made further cuts in the police and fire services and has cut £3.2 million from education, although it was named in the HMI reports as being at the lower end of the scale of education authorities. Does not his announcement mean that people in Wiltshire, especially children, will be deprived?

**Mr. Heseltine:** No, it does not. It means simply that the local authorities—I am sure that Wiltshire county council will wish to do this—should take into account the effect of the recession on the rest of the economy in judging the economies that they can make. The employees of Wiltshire county council will doubtless reckon that if they bid for larger wage increases they will provide a less satisfactory service. The answer is to go for low wage increases.

**Mr. Nigel Forman (Carshalton):** Is my right hon. Friend sure that the expenditure control mechanisms to which he referred are sufficiently precise to avoid the unfair penalisation of economical and responsible local authorities, such as the London borough of Sutton, in my constituency? Is he aware that an early measure that he could take to reduce many of the problems would be to abolish the GLC?

**Mr. Heseltine:** My hon. Friend would be the first to recognise that, when one is distributing the best part of £20 billion over 400 authorities and 20 different services, there is bound to be recourse to general rules. It has always been central Government's view that one should not expect minute accuracy in the rate support grant settlement. However, the settlement now reflects broadly the needs of the authorities in each area, depending on the service that they provide, and the consultation process that I am beginning early will enable me to satisfy myself more about the position.

I have no proposals to put to the House today on the future of the GLC, but the GLC argues the most eloquent case that one can imagine for its own demise.

**Mr. A. E. P. Duffy (Sheffield, Attercliffe):** Is the Secretary of State aware that unemployment in inner Sheffield is 20 per cent. and that male unemployment, at 24 per cent., is twice the national average? With the deprivation and urban-related problems to which that gives rise, Sheffield must be typical of our inner cities. Is he further aware that the Secretary of State for Industry

justified his adjusted regional policy on the ground that he was concentrating assistance at the point of need? Why is the right hon. Gentleman reversing that policy?

**Mr. Heseltine:** Few authorities pursue policies more likely to create unemployment than the metropolitan district of Sheffield, which, by its rating and expenditure policies, increasingly absorbed private sector resources that could otherwise go into profitable investment and job creation.

**Mr. David Madel (Bedfordshire, South):** As much of local authority expenditure is on education, including the fresh statutory requirements under the new training initiative, does my right hon. Friend feel that in the autumn the Government will be able to say something about an education block grant or an alternative way of financing heavy expenditure on education?

**Mr. Heseltine:** I am grateful to my hon. Friend for that question, but he will understand that an educational block grant must be dealt with in the consultative process about rates and their future. If he will bear with me, I should prefer it to be dealt with in that way.

**Mr. Jack Straw (Blackburn):** Is the Secretary of State aware that not even the most optimistic of economic forecasts estimates inflation of less than 7 per cent. next year? Therefore, will the Secretary of State break the habit of a lifetime and give us a straight answer to a simple question? If inflation is above 5 per cent., does that not inevitably mean that local authorities must cut their present level of provisions?

**Mr. Heseltine:** No, Sir. It will depend far more on the level of the wage settlements in local government.

**Mr. John Townend (Bridlington):** Does my right hon. Friend agree that he will have the support of industry and commerce in his continuing efforts to bring pressure to bear on high spending councils such as Humberside to make the economies that industry has had to make in the past two years?

**Mr. Heseltine:** I am grateful to my hon. Friend. He has highlighted something that is widely recognised throughout the country, which is that industry and commerce have had to make substantial sacrifices in the light of the recession. That consequence has been resisted by the Labour Party whenever it has had an opportunity to influence decisions. The fact is that such resistance leads to higher rate increases and makes the task of industry harder.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. This is a Supply day. Many right hon. and hon. Members have intimated that they hope to speak in the debate on unemployment. I shall call two more hon. Members from each side, although that will take time from the debate.

**Mr. Greville Janner (Leicester, West):** Before the Secretary of State made his decision, did he consider how many local authority jobs were likely to be lost? If so, what conclusion did he arrive at?

**Mr. Heseltine:** I am sure that the hon. and learned Gentleman will realise that, as I have announced a 5 per cent. increase in cash availability for next year, it must follow that if wage settlements are low that should have little effect on the number of jobs. However, if wage



[Mr. Heseltine]

settlements are high, fewer people will be employed. However, that is a matter for the local authorities and the unions and not for me.

**Sir Brandon Rhys Williams:** What are my right hon. Friend's intentions for the future of the Inner London Education Authority, particularly with regard to the ways in which its expenditure could be brought under firmer control and scrutiny?

**Mr. Heseltine:** I should like to be able to answer my hon. Friend's question. As with so many other matters on local government, we are having to consider that matter carefully. I am sure that the House will appreciate that it is not the appropriate moment for me to go wider than I have gone in today's announcement.

**Mr. Dennis Skinner (Bolsover):** What is the economic sense of the Government telling the local authorities that, if wage settlements are around the rate of inflation, that will mean about 100,000 people not receiving wages from the local government office per the rate support grant and the rates but having to go down the road to another central Government office to draw unemployment pay? Some of them will have to go back to the local authority to draw rent and rate rebates and take advantage of some of the other benefits that remain despite the Government's record. What business sense is there in adopting such a policy?

The Secretary of State should not accuse my right hon. Friend the Member for Manchester, Ardwick (Mr. Kaufman) of having accused him of misleading the House. The right hon. Gentleman will go to the Tory Party conference in October and make a speech that is different from what he has said today. He will preach to the Tory faithful and will want to sound like the great big axeman. Therefore, what is he complaining about?

**Mr. Heseltine:** I was not complaining.

**Mr. Michael Colvin (Bristol, North-West):** Will my right hon. Friend tell the House whether, since coming to power, the Government have increased or decreased in real cash terms, allowing for inflation, the statutory obligations placed by Government on local authorities to spend money?

**Mr. Heseltine:** There have been a number of legislative changes but no significant change of which I am aware that should lead to substantial increases in expenditure. There are always consequences of Government legislation that could lead to some increases in expenditure, but they are as nothing compared with what could have been achieved if local authorities had much more effectively managed their resources.

## Adult Education

4.4 pm

**Mr. Frank Haynes (Ashfield):** I beg to move,

That leave be given to bring in a Bill to require all local education authorities to provide adult education for persons registered as unemployed; and for connected purposes.

I shall preface my remarks by making reference to the present economic situation, bearing in mind its effect on education, particularly adult education. Over 3 million people are unemployed. We are constantly told by Treasury Ministers that that figure will increase as time goes by. Therefore, the situation becomes worse.

Because of the problems of adult education, we saw fit to organise a body of hon. Members from all parties to meet regularly and discuss adult education. We were concerned about the breaking down and destruction of adult education. Across the country many representations have been made to that body. Many educational bodies throughout the country have made representations to me. I received a letter from the Adult Literacy and Basic Skills Unit. I shall quote from it to put the matter in perspective. It states:

"The estimated number of adults (16+) who are considered 'functionally illiterate' is 2 million (6%) and this is considered to be a conservative estimate . . . As far as numeracy is concerned a recent Gallup Poll sponsored by the Advisory Council on Adult and Continuing Education found that one in ten could not cope with simple addition, three in ten could not cope with simple subtraction, multiplication and division, three in ten could not cope with simple percentages or a simple graph and four in ten cannot cope with a simple timetable."

That spells-out what is happening, what should be happening and where we should direct our finance in the interests of the adults of tomorrow. I recognise that there is the new training initiative. However, it does not come in until September 1983. The Prime Minister, at Question Time, said that many youngsters who have been out of school for a year have not yet found a job. At least in September 1983 some youngsters will benefit under the new training initiative. The Secretary of State for Employment told us that all school leavers will enjoy 12 months' training under that scheme.

However, we must consider the other side of the coin. In my constituency, as well as in others, many adults are illiterate. I mentioned the figures. The Government have a duty to do something about that problem.

Last year Her Majesty's Inspectorate published a report on education with particular reference to adult education. It made a scathing attack on the Government for their destruction of adult education. The Government should be ashamed of what they have done to adult education. I hope that the Government are taking note of what I am saying today so that we can make some progress and give some of the people who are now standing in the dole queues every week the opportunity to get away from their illiteracy and be prepared for the future.

We are constantly told that the economy will pick up. We shall need workers in future, but they must be able to read and write. If not, they will be sent away when they apply for jobs that happens frequently. The Government have betrayed the present generation of youngsters. They have also betrayed the generation before them who form today's dole queues. They will continue to stand there until the Government change direction.

The community enterprise programme has been mentioned. The Chancellor of the Exchequer goes on