



Prime Minister ①  
 To note Mr Younger's report.  
 Agree that if Edinburgh do  
 decide to come into line  
 he should proceed  
 as suggested i paras 7 and 8?

CG/NO

SCOTTISH OFFICE  
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CONFIDENTIAL - CMO

AT  
 31/7  
 Yes Mr

Prime Minister

31 July 1985

MISC109: EDINBURGH

1. I am minuting to report on the present position on my action against Edinburgh District Council. I last minuted to you on this subject on 26 June.
  
2. Since that date Edinburgh District Council have decided to comply with the default action which I took to require them to reduce their rate fund contribution to the housing revenue account by £5.6 million and correspondingly reduce the District rate by 1.8p. I believe that within the Labour Group there was a substantial majority in favour of compliance. Failure to comply with the court order would have put the council in contempt of court and liable to fines. I await details of all that Edinburgh propose on this: they are trying to avoid rent increases and decisive reductions in expenditure but they seem anxious also to avoid further confrontation with the courts on this issue and they now have a legal rate.
  
3. I also took selective action to reduce the Council's rate on the grounds that on its non-housing budget it was planning excessive and unreasonable expenditure. On 17 July the Commons approved a report which has the effect of requiring the Council to reduce its rate by 5.2p. If the Council fail to do this by 14 August, their rate will be deemed to have been reduced by 5.2p and the reduction will automatically take place. (Until that date I have power to agree - as I see fit - to a reduction). The problem arises over how the authority decide to respond to the resulting reduction of £16 million in their income. If they revise their budget and cut their spending (as other councils have done previously in this situation), there will be no problem. However, if they decide to spend at the level of their original budget, taking no account of their rate reduction and borrowing ahead, I estimate that they will run out of money about November. They will then be unable to provide services and pay staff.



E. P.

4. The Labour group are at present considering what action to take. Judging from press reports, they may be tempted to some form of creative accounting to avoid having to make the full cuts implied by the rate reduction. This will almost certainly be insufficient. The Council will have to make cuts in its budgeted expenditure if it is to balance its books. Any attempt to use borrowed money to keep up their budgeted level of spending would be illegal.

5. If they decide deliberately to run out of money in order to embarrass the Government, there are 2 courses available:

a. for me to give special consent for the Council to borrow (subject to any conditions I may impose) in order to keep going for the remainder of the year. This would cause the minimum of administrative disruption but the Council would have circumvented selective action and I could be involved in time consuming arguments about periodic borrowing applications.

b. to replace the Council with commissioners.

6. This second course would require me to take the necessary new powers. My Department is already examining the draft legislation being prepared on a contingency basis by the Secretary of State for the Environment. Unless I hear to the contrary from the Lord President I should like to assume that I have H Committee approval to draft on a contingency basis Scottish provisions for inclusion in the commissioner legislation if such legislation is to be introduced for application to England. I think it is essential that the legislation should apply to Scotland unless by the time a decision on introduction has to be made, there has been a clear solution of the problems in Edinburgh. If Scotland were not covered and Edinburgh is still confronting the Government, it would give entirely the wrong signal to Edinburgh. It goes without saying that I consider that any commissioner legislation should be in general terms covering the United Kingdom (with appropriate Scottish provisions) and on the scenario I have in mind could not be based on an English text that was intended to be specific to Liverpool.

7. Edinburgh District Council next meets on 1 August when they should decide whether to adjust their expenditure or whether to take no account of the rate reduction, and spend regardless. They may well decide to take a middle course in which they argue inter alia for a reduction in the 5.2p rate reduction. Either



E.R.

Michael Ancram or I may have to have discussions with representatives of the Council at that stage (ie before 14 August). I am clear that I am not in the business of horse trading; the only basis on which such discussions can take place is if the Council accepts that by their own actions they have created an impossible situation and come to seek a marginal change in their rate reduction as part of a considered and comprehensive package of measures designed to solve the problems they have created. I will have to be sure that in the event of us acceding to such a request there can be no claim by the local administration that the District has benefited by their actions, and that any such adjustment would be granted only to soften the damage which will otherwise arise.

8. On the basis that any such change would be marginal, and as I have at my own hand made such adjustments in every case of selective action in the past, can I take it that in the event of my deciding to do so, this would not require further reference to colleagues? I should emphasise again that I would only do so subject to the above criteria, and that there has been no hint given to the authority that this is within my contemplation.

9. Copies of this minute go to members of MISC109, Sir Robert Armstrong and to Kenny Cameron.

C.Y.

G.Y.



Local Govt : Relations #27

P.R.

