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Encouraging cons.
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no to sign
congratulating
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CONFIDENTIAL-CMO

22 August 1985

Prime Minister

MISC 109: EDINBURGH

I am minuting to report on the present position on my action against Edinburgh District. I last minuted to you on this subject on 31 July. At that time Edinburgh had decided to comply with my action over their housing budget (a reduction of £5.6m in their rate fund contributions and a reduction of 1.8p in their rate), but were still considering their response to my selective action against the remainder of their budget (a reduction of £16.1m in their budget and 5.2p in their rate).

2. Following a meeting on 1 August the Council proposed a compromise. This involved a cut of about £8m in their planned overspending, a number of "creative accounting" devices likely to amount to about £6m, and a concession from me. This concession was to be either (a) an increase of £2.2m in their guideline and an easing of the rate reduction to 5.0p or (b) a larger reduction in the rate reduction to 3.8p. I rejected this on the basis that I could not increase one authority's guideline without affecting all other authorities and that the alternative of a rate reduction of 3.8p was significantly below the 5.2p approved by Parliament. Since Edinburgh took no further action by 14 August, the 5.2p rate reduction was then deemed to have been made.

3. Edinburgh's rate was therefore reduced by a total of 7p, 31% of their original district rate of 22.7p. The rating authority will shortly issue revised rate bills to all ratepayers which will show a reduction of about 10% from the previous combined region/district bill.

4. On 19 August Edinburgh held a meeting of their Policy and Resources Committee to consider how to modify their expenditure plans to take account of their reduced rate income. They decided to prepare a legal budget for consideration by the full Council on 5 September. This is similar to the proposals they put to me earlier this month except that they have substituted the sale of a major capital asset for the resources they had hoped to get from me. (This asset will probably be an empty city centre site currently used as a car park.)

5. I think we can be very satisfied that my initiatives have led to such a considerable climb-down by Edinburgh Labour Group. They gave up the battle on housing when faced with the order of specific performance which was secured from the Court of Session. They withdrew from any suggestion of an unlawful budget for the rest of their services, and in so doing abandoned roughly half of their plans for growth.

6. There will be a lot of scope still for argument within the District Council about the precise form that their revised budget is to take, and about the precise significance of various items that may be proposed for inclusion. These will not raise questions for me, but I am sure that Paul Martin will see to it that the arguments for prudence and reasonableness which we have all had in mind are effectively put across.

7. These developments distinguish the Edinburgh position pretty sharply from the Liverpool one. Edinburgh is not involved in illegality, and there seems to be no prospect here now of anything like financial collapse. I shall continue to keep a close eye on the situation but I do not now, as things stand, think that I would want to be involved in any commissioner legislation that Patrick Jenkin may want to propose.

8. Copies of this minute go to members of MISC 109, Sir Robert Armstrong and Kenny Cameron.

G.Y.

G.Y.

Relations : Local Govt :

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