cc NO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

(1)

Prime Minister

Agree this statement?

(the Treasury are content)

MCS 26/7

Noted by PM

PA

MCS 27/7

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

26 July 1983

Dear Tim,

STATEMENT ON SCOTTISH LOCAL AUTHORITY EXPENDITURE

We have now been informed of the contents of the letter which the Chief Secretary is about to issue on the Scottish Rate Support Grant settlement for 1983-84 and 1984-85.

File with MCS?

On the basis of this information the Statement enclosed with my letter of 25 July has been expanded and a copy of the revised text is now enclosed. I should be grateful for your early clearance of this Statement.

I am copying this letter to the recipients of my previous letter on this subject.

Yours sincerely

Eddie Gowans

EDDIE GOWANS
Private Secretary

DRAFT STATEMENT

LOCAL GOVERNMENT EXPENDITURE (SCOTLAND)

With permission, Mr Speaker, I shall make an announcement about the rate support grant settlement for Scotland for 1983-84 and for 1984-85.

Scottish local authorities' planned expenditure for 1983-84 is £121 million, or 4.5%, higher than was proposed in the rate support grant settlement despite enhancement of the figures which had originally been contained in the Public Expenditure White Paper (Cmnd 8494). When I met the Convention of Scottish Local Authorities on 17 June I said that in light of this planned overspend it was my view that there would have to be an abatement in the rate support grant payable in 1983-84. I could not indicate at what level that might be until I knew the outcome of the selective action which I had initiated against certain local authorities on grounds of excessive and unreasonable expenditure.On 21 July the House approved Reports proposing reductions in the rates of four local authorities equivalent to expenditure reductions of £18.8 million. Since local authorities have still not brought their expenditure into line with the Government's plans, I have no alternative but to make a general abatement of grant to bring pressure on authorities to make commensurate savings in their expenditure. I will lay this week a Variation Order reducing the rate support grant payable in 1983-84 to Scottish local authorities by £45 million. As with the abatement in 1982-83 I shall make arrangements to ensure that no authority will suffer a loss of grant greater than its excess at outturn over current expenditure guidelines and this will be by means of an adjustment in the rate support grant settlement for 1984-85.

I now turn to 1984-85. Last year on 28 July I announced, on a provisional basis, the public expenditure provision for Scottish local authority current expenditure in the following year. To assist local authorities in their forward planning I will now provide similar information for next year. The provisional figure for local authority current expenditure will be some £2730 million, that is about £60 million more than the provision in the Public Expenditure White Paper (Cmnd 8494). In announcing this cash increase I have taken into account the views expressed to me in consultations by the Convention of Scottish Local Authorities.

I will in due course issue current expenditure guidelines to authorities for 1984-85. While I will still not be allocating the total provision to services, thus leaving an unallocated margin, I can say now that the guideline total will include the unallocated margin. I have therefore taken into account the views expressed by the Convention. I hope that all authorities will be prepared to make a real effort to bring their expenditure into line with those guidelines in 1984-85.

Local Govt Relations

cc Gibraltar file
Stock-exchange file
P/Exp file

2

PRIME MINISTER

STATEMENTS

There were four statements today.

1. The Scottish Rates Support Grant

This was a fairly routine occasion giving Opposition members a chance to complain generally about interference with local government. There was comparatively little support from Government benches but Mr. Younger had no difficulty.

2. Stock Exchange

Mr. Parkinson's statement predictably aroused the wrath of the Opposition who accused the Government of exempting their friends in the City from the requirements of the law. There was, however, a general welcome from the Government side for the statement and considerably detailed questioning about the agreement reached with the Stock Exchange. Opposition members were not interested at all in the contents of Mr. Parkinson's statement and he was able to make effective use of the point that the Opposition had given the trade unions very considerable immunities while requiring nothing from them in exchange. He also stressed the desirability of settling matters out of court at a great saving to the taxpayer. Generally speaking the Opposition were not able to make their charges stick.

3. Public Expenditure

Mr. Rees had a considerable success with his statement both in its content and style. The approach of the Opposition clearly demonstrated there would have been disproportionate trouble had the statement not been oral. But Mr. Rees' low-key approach was, I suspect, far more successful in diffusing the situation than would have been the Chancellor. The Opposition questioning concentrated on job losses, in particular in the National Health Service which suggests that you may have the figure of 8,000 job cuts quoted to you tomorrow.

/4. Gibraltar

4. Gibraltar

Mr. Stewart's statement received a low-key response as befitted the fourth statement on a hot afternoon. The settlement was generally welcomed even amongst some Opposition members, who could not make up their minds whether the amount of work which had been guaranteed to the commercial dockyard was too great or too little. I think it unlikely that the subject will come up at Questions tomorrow.

5. White Paper on the Rates

Mr. Kaufman sought to cause a row about the delayed publication of the Rates White Paper calling on two occasions for a statement. It was clear that the Speaker was not going to be very helpful on this and in the end Mr. Jenkin had to come to the House to explain why the White Paper was not being published until next week. The Speaker allowed Mr. Kaufman to question Mr. Jenkin but he was able successfully to damp down the little excitment which was still left.

27 July, 1983

Statements

Mr. Speaker: As the House knows, there are no fewer than four statements to be made this afternoon, all of which are of great importance. I ask right hon. and hon. Members to be brief with their supplementary questions, please, and perhaps the Front Bench spokesmen would also help in this regard.

Mr. Gerald Kaufman (Manchester, Gorton): On a point of order, Mr. Speaker. It is directly related to the fact that the Secretary of State for Scotland is to make a statement. I have no idea of the contents of the statement, and no doubt my right hon. Friend the Member for Glasgow, Govan (Mr. Millan) will have his views on it. However, the Secretary of State is to make a statement on local government finance in Scotland.

What can you, Mr. Speaker, do to protect the House in relation to local government finance for England? The Secretary of State for the Environment promised the House that this month he would publish a White Paper on the rating system, but we now understand that he does not intend to publish that statement until the House is in recess, and that he does not intend either to publish the spending ceilings for English local authorites until the House is in recess, when Members of Parliament will no longer be able to question him and hold him to account.

As we are to get a statement from the Secretary of State for Scotland, what can you do, Mr. Speaker, to prevent this Administration, and in particular the Secretary of State for the Environment, from abusing the House of Commons and Parliament by withholding a White Paper and information on spending which is in their possession, which has been prepared, which could be made available, and which could be the subject of a statement, but which is deliberately being withheld, to the abuse of the House of Commons?

Mr. Speaker: I have no knowledge whether the White Paper is ready. I was in the Chair and I heard the Secretary of State say that a White Paper would be published this month and I imagine that that is the fact. As to the Scottish statement, there are many hon. Members in the House who would wish to hear it.

Rate Support Grant (Scotland)

3.33 pm

The Secretary of State for Scotland (Mr. George Younger): With permission, Mr. Speaker, I shall make an announcement about the rate support grant settlement for Scotland for 1983-84 and for 1984-85.

Scottish local authorities' planned expenditure for 1983-84 is £121 million, or 4·5 per cent. higher than was proposed in the rate support grant settlement, despite enhancement of the figures which had originally been contained in the public expenditure White Paper, Cmnd. 8494. When I met the Convention of Scottish Local Authorities on 17 June I said that in light of this planned overspend it was my view that there would have to be an abatement in the rate support grant payable in 1983-84. I could not indicate at what level that might be until I knew the outcome of the selective action which I had initiated against certain local authorities on grounds of excessive and unreasonable expenditure.

On 21 July the House approved reports proposing reductions in the rates of four local authorities equivalent to expenditure reductions of £18·8 million. As local authorities have still not brought their expenditure into line with the Government's plans, I have no alternative but to make a general abatement of grant to bring pressure on authorities to make commensurate savings in their expenditure. I will lay this week a variation order reducing the rate support grant payable in 1983-84 to Scottish local authorities by £45 million. As with the abatement in 1982-83, I shall make arrangements to ensure that no authority will suffer a loss of grant greater than its excess at outturn over current expenditure guidelines and this will be by means of an adjustment in the rate support grant settlement for 1984-85.

I now turn to 1984-85. Last year on 28 July I announced, on a provisional basis, the public expenditure provision for Scottish local authority current expenditure in the following year. To assist local authorities in their forward planning, I will now provide similar information for next year. The provisional figure for local authority current expenditure will be some £2,730 million—that is, about £60 million more than the provision in the public expenditure White Paper, Cmnd. 8789. In announcing this cash increase I have taken into account the views expressed to me in consultations by the Convention of Scottish Local Authorities.

I will in due course issue current expenditure guidelines to authorities for 1984-85. I have taken into account the views expressed by the convention regarding the treatment of the unallocated margin this year and I can say now that the total provision in 1984-85 will be included in the guidelines. I hope that all authorities will be prepared to make a real effort to bring their expenditure into line with those guidelines in 1984-85.

Mr. Bruce Millan (Glasgow, Govan): That was a disgraceful statement and the penalties being imposed against Scottish local authorities are even harsher than those imposed in the statement made by the right hon. Gentleman last year. It makes an absurdity of the debate that we had last week dealing with specific penalties amounting to £19 million when, as I forecast last week, an even greater penalty of £45 million is announced a week after the debate.

six years has been jobs and investment? Will the Government take any action to protect our industries, which are flying to the continent in order to take advantage of the unnatural subsidies that are being given by the other member states?

Mr. Channon: No, I cannot agree with the hon. Member. We send 43 per cent. of our exports to the Community. The figure was only 30 per cent. in 1970. Many jobs in the United Kingdom depend on that trade. The best estimate that we can make is that about 2·5 million jobs would be at risk if the Labour party's policy were to be carried out.

Sir Anthony Meyer: Is it not also a fact that the coverage of imports by exports is far greater in relation to our trade with the European Community than it is in relation to our trade with other advanced industrial areas —countries such as Japan and the United States?

Mr. Channon: What my hon. Friend says shows how important the market is to us and how important it is to stay in the Community.

Development Assistance Scheme

19. **Mr. Kirkwood** asked the Secretary of State for Trade and Industry if he will consider establishing a new rural development area status as part of the development assistance scheme.

Mr. Norman Lamont: Assistance is already available to rural areas from the appropriate bodies in the different parts of Great Britain. The hon. Member's constituency, for example, can obtain assistance from the Scottish Development Agency.

Mr. Kirkwood: I thank the Minister for his reply. Is he aware that there is a growing body of opinion in Scotland that believes that the machinery available to the Scottish Development Agency is not appropriate to rural areas, whose needs are quite different from, but just as great as those of the urban areas? Will the Government look at the problem again?

Mr. Lamont: That must be a matter for the Secretary of State for Scotland.

Ceramic and Pottery Industry

20. **Mr. Fisher** asked the Secretary of State for Trade and Industry if he will make a statement on the future prospects for the ceramic and pottery industry.

Mr. Trippier: I believe the industry is well placed to take advantage of a pick-up in demand.

Mr. Fisher: Is the Minister aware that the so-called "well placed" position has involved 25,000 jobs being lost and Britain becoming a dumping ground for cheap pottery goods from Malaysia and other far eastern countries? When will the Minister act to save a very lucrative and profitable industry from going down the drain?

Mr. Trippier: The hon. Gentleman should not assume that he has a monopoly of concern for the industry. I share that concern. The problems that the hon. Gentleman has outlined reflect the industry's past difficulties during the recession. I do not underrate them, nor should the hon. Gentleman underrate the strengths of the industry.

Greater Manchester

21. **Mr. Lloyd** asked the Secretary of State for Trade and Industry if he will reintroduce assisted area status for greater Manchester.

Mr. Trippier: Successive Governments have designated assisted areas by reference to the circumstances in individual travel-to-work areas and this continues to be the case. I am satisfied that on present evidence the current assisted area gradings of the eight travel-to-work areas in greater Manchester are appropriate to their circumstances.

Mr. Lloyd: Is the Minister aware of how badly greater Manchester has suffered over the past two years because of Government policies? Is he further aware that the enterprise zone in Trafford park has been a cosmetic exercise that has failed and that the greater Manchester area, unless given practical assistance by the Government, is doomed to further decline?

Mr. Trippier: Perhaps I was a little kind to the hon. Gentleman in my reply to his substantive question. If he had done a little more research, he would have realised that there are some travel-to-work areas within the greater Manchester county that are assisted. For example, Bolton and Leeds are intermediate areas and Rochdale and Wigan are development areas. I have said before, in a previous Question Time, that regional policy is being reviewed and that it is too early to speculate on the outcome.

Last year the so-called expenditure, net of specific penalties, was £170 million, on which a penalty of £27 million was imposed. This year, the net so-called excess expenditure is considerably less, at £120 million, and yet the penalty is considerably higher, at £45 million, which represents 45 per cent. of the so-called excess. From what the Secretary of State has just said, will not every local authority except three out of the 65 suffer from the penalties being announced today? I hope that Tory Members who voted for the penalties last week will remember that I said to them then that this is precisely what would happen to their authorities this week. Responsible authorities such as Strathclyde will suffer a penalty of no less than £20 million as a result of this statement.

As to the 1984-85 expenditure, as usual the Secretary of State has dressed up the figures to make them look as if they are a concession to the local authorities, but the figure of £2,730 million that he announced is not even sufficient to provide for a reasonable rate of inflation compared with the equivalent figure announced last year. The figure is only 3 per cent. higher than that which he announced last year and will not cover any reasonable expectation of inflation in 1984-85. It is less than the figures that the local authorities have already budgeted for in their cash terms for the current year.

On any reasonable estimate, to reach the figures that the Secretary of State has announced, local authorities in Scotland would have to reduce their budgeted expenditure next year by about 6 per cent. in real terms. There is no hope of the Secretary of State obtaining such a reduction in 1984-85. If he were to obtain it, it would mean slashing thousands of jobs, such as teaching jobs, and local authority services. The Secretary of State will not get such a reduction and we shall go through the same farce in 1984-85 of unrealistic guidelines and the vast majority of authorities going above the guidelines.

May I ask the right hon. Gentleman about an omission from his statement? In July last year, he announced the rate support grant for the following year. He has not made such an announcement today. Will he give an assurance that the rate support grant for 1984-85 will be at least the 61·5 per cent. that applied for 1983-84? Unless he can give that assurance, he is, typically, giving the House only part of the story. We shall see a further tightening of the screw on local authorities in Scotland if, as I believe is likely, the rate of grant is further reduced later in the year.

The right hon. Gentleman spoke about consultation and taking account of the views of COSLA, but his Under-Secretary refused to give COSLA representatives the expenditure figures for 1984-85 when he met them this morning. Now that we have seen the figures, we know that they represent a tightening of the screw on Scottish local government. They will mean poorer services and more unemployment among local authority personnel. The cuts announced today are serving no useful economic or social purpose.

Mr. Younger: The right hon. Gentleman must see my statement against the background of our efforts over many years to persuade local authorities in Scotland to trim their spending into line with the Government's general economic policy. The right hon. Gentleman has always accepted that the Government have an interest in determining what that general level should be. His position seems to be that he accepts that principle, but is against selective action—he made that clear last week—and a general abatement. We are in a full circle. The right hon. Gentleman has not made his view clear. Either he favours local government spending whatever it likes or he favours some method of Government influence. I hope that he will make his position clear.

I have made no secret of the fact that, having been generous in the past two years—last year I even made savings in my own programmes to make matters easier for local authorities—I have had to make it clear that the Government are in earnest this year and that local government will have to bring its expenditure into line with the Government's general economic policy. That is what the figure that I have announced is intended to do, and I hope that that is what it will do.

Of course, because of the overspending of previous years, it will be difficult for local authorities to achieve the figure that I have announced, but I hope that my statement gives them the clear signal that, however difficult it may be, it is essential in the national interest that expenditure should be brought within the reasonable rates that we have suggested.

My hon. Friend the Under-Secretary was naturally not able to tell the COSLA representatives this morning the figure for the enhancement for next year. If he had done so, the right hon. Member for Glasgow, Govan (Mr. Millan) would justifiably have complained that the figure should be announced to Parliament before being announced anywhere else. That is the main reason why I announced the figure to Parliament, and I hope that the House agrees that I was right to do so.

Several Hon. Members *rose*——

Mr. Speaker: Order. I have a duty to protect the business of the House, and a number of other important statements are to be made. I propose to allow questions on this statement to run until 4 o'clock and I ask for crisper questions and answers please.

Mr. Bill Walker (Tayside, North): My right hon. Friend will not be surprised to hear that Conservative authorities were expecting his announcement. They, too, are concerned that the expenditure over a long period of some of the high-spending authorities appears to give them an advantage over authorities such as Tayside, Perth and Kinross and Angus which have been prudent spenders for many years. Will my right hon. Friend bear that fact in mind when considering future figures?

Mr. Younger: I greatly appreciate what my hon. Friend has said. I am considering carefully whether we can do anything to make the general abatement operate more fairly.

Mr. Norman Hogg (Cumbernauld and Kilsyth): Given that local government is labour intensive and that there is a direct correlation between cuts in expenditure and lost jobs, can the Secretary of State say how many Scottish local government employees may expect to join the dole queue as a consequence of his disgraceful statement?

Mr. Younger: Like the hon. Gentleman, I hope that decisions can be implemented quickly enough to ensure that there is no need for redundancies. He knows that Lothian regional council decided some time ago not to take on extra staff in case this sort of thing happened. If expenditure is to be brought down, it is better that it is done quickly, so that there is no need for redundancies.

Mr. Albert McQuarrie (Banff and Buchan): Does my right hon. friend agree that the majority of local authorities that will be affected by his statement are the overspenders which have consistently ignored his representations to trim their expenditure? They have increased the number of their employees beyond my right hon. Friend's guidelines. Authorities such as Grampian, Gordon and Banff and Buchan have shown that the Government's guidelines are effective and can be carried out satisfactorily without causing the problems that confront overspending authorities.

Mr. Younger: My hon. Friend makes an extremely good point. If the figures were as unreasonable as the Opposition make out, no local authorities in Scotland could work within the guidelines. But some have done so, and all credit to them.

The principal fact, to which my hon. Friend is right to draw attention, is that it is easy to run a local authority if one can spend whatever one likes. It requires good and effective management to ensure that one spends within what the nation can afford, and that is what I am asking local authorities to do.

Mr. Gordon Wilson (Dundee, East): As local government expenditure is more than 50 per cent. of the right hon. Gentleman's own budget, will he explain what impact the changes will have on the pattern of public expenditure in Scotland, bearing in mind that such expenditure is declining in real terms, compared with that in the whole of the United Kingdom? What role is the right hon. Gentleman playing in Cabinet? Time and again, he comes up with poor results, leading to reduced public expenditure in Scotland, more unemployment and more misery.

Mr. Younger: The hon. Gentleman makes a good point when he says that more than 50 per cent. of the budget for which I am responsible is spent not by me but by local authorities. That is why it is impossible for me to ignore what they spend. The hon. Gentleman must accept that any Secretary of State must have some influence on what local authorities spend. If they spend more than they should, I have to make cuts in my programmes or in other spheres, and no hon. Member on either side of the House would be pleased to see that.

Mr. Michael Forsyth (Stirling): Will my right hon. Friend confirm that, bearing in mind the many representations made by leading national firms, such as Marks and Spencer, that rates in Scotland are more than twice what they have to pay south of the border, his statement, far from being a threat to jobs, is the greatest possible boost to employment prospects in Scotland?

Mr. Younger: I agree with my hon. Friend. All of us who are involved in these matters should bear in mind that a large proportion of the rates raised in Scotland are spent without those who pay them having any influence on the democratic process.

Mr. Gregor MacKenzie (Glasgow, Rutherglen): Will the Secretary of State answer the question asked earlier: how many people doing essential jobs—home helps and the like — will lose their jobs as a result of his statement?

Mr. Younger: I do not agree with the right hon. Gentleman. If I were on a local authority and had to make expenditure choices, I cannot imagine that the first service on which I should look to save money would be the home help service.

Mr. Hugh Brown (Glasgow, Provan): Does the right hon. Gentleman recognise that there has been a deplorable deterioration in the relationship between central and local government? Is not it like a marriage breakdown, where there are usually faults on both sides? Can the right hon. Gentleman offer any hope of conciliation to help to produce the better relationship that is desperately required?

Mr. Younger: I appreciate the spirit of the hon. Gentleman's question and respond to it sympathetically. I could end the controversy for good by agreeing that local authorities should spend whatever they like. It would be easy for me to do that, but that would be to condemn the rest of the Government's expenditure programmes to substantial cuts, and I am sure that the hon. Gentleman would be the first to oppose that.

Mr. Malcolm Bruce (Gordon): Will the Secretary explain how this statement will affect rural areas, as they have received less assistance from the Government than rural areas south of the border have received, and bearing in mind the fact that that is where services are most marginal? Does he acknowledge that rural areas are in the front line in cuts of this nature? Will he further explain whether councils such as Grampian, which has a surplus of £5 million, will be allowed to carry that forward or will have to give it back to the ratepayer, or will he cut it from next year's allocation?

Mr. Younger: I much appreciate what the hon. Gentleman says about rural areas. I can give him this comfort, that in general—there may be some exceptions —it is clear that authorities in rural areas have taken great care to keep their expenditure within reasonable bounds. I think I am correct in saying that the hon. Gentleman's own district authority is one that should not suffer at all from this abatement.

Mr. John Home Robertson (East Lothian): Who does the right hon. Gentleman think he is? This is the second week running that he has come to the House to interfere with the budgeting of Scottish local councils. Would it not be more appropriate to let those councils get on with their own jobs? Would it not be even more appropriate, instead of having a Secretary of State who seeks to represent the Treasury in Scotland, to have a Secretary of State who represents Scotland in the Cabinet.

Mr. Younger: The implication of what the hon. Gentleman says is that I should step back and allow local authorities to spend whatever they like. With respect, that is nor my view, not is it the view of his right hon. Friend the Member for Glasgow, Govan (Mr. Millan).

Mr. Jim Craigen (Glasgow, Maryhill): As only three of the 65 local authorities thought that the guidelines were realistic, are we to take it from today's statement that, in the view of the Secretary of State, there is no distinction to be drawn between selective action against local authorities and this indiscriminate assault on all our communities? Does he go to COSLA meetings with his ear muffs on because he does not seem to listen to its representations?

Mr. Younger: The facts do not bear that out. I said in my statement today that in the coming year the guidelines

will include what in the previous year was an unallocated margin, which COSLA strongly stressed should not be repeated. I have responded to that representation. On the general point, again the implication of the hon. Gentleman's question is that I should step back and allow authorities to spend whatever they like. Is that his view? It is certainly not the view of his Front Bench.

Mr. Robert Maclennan (Caithness and Sutherland): Does not the Secretary of State realise that to announce special penalties one week and then to announce the next week a general abatement makes it plain that the Government are not prepared to allow local authorities proper control over their own expenditure, and that by announcing a general abatement he is penalising authorities that are well within margins of expenditure that even he would acknowledge, and that by a subsequent rebate in the next financial year he does not ease the position of local authorities which are already in difficulties in this current year?

Mr. Younger: The hon. Gentleman used the words "proper control over their own expenditure". His question does not make much sense unless we know what that means. If it means that local authorities can spend whatever they like, irrespective of the Government's economic policy, I do not agree with him—nor, with respect, do the official Opposition—and I doubt very much whether even the SDP agrees with him.

Mr. Michael Hirst (Strathkelvin and Bearsden): Does my right hon. Friend agree that today's statement increases the obligations on Scottish local authorities to look at ways of making meaningful reductions in operating the various departments under their control? Does he further agree that councils could realise substantial savings by putting out services to tender, and will he encourage them to do so?

Mr. Younger: I am grateful to my hon. Friend for that suggestion. I should have thought that that was generally desirable wherever it produced acceptable services for the public at a lower cost. On general local authority expenditure, it is in the interest of the general public to have effective local authority services provided at the lowest possible cost. I hope that all local authorities will seek to do that as quickly as possible.

Mr. John Maxton (Glasgow, Cathcart): Is the Secretary of State aware that this extra cut in the expenditure of Glasgow district council must make it extremely unlikely that the Burrell gallery will be opened in October? Does not that more than anything else typify the Government's economic policy, in that enormous capital expenditure will have been undertaken although the revenue expenditure will not be available for the gallery to be kept open?

Mr. Younger: It depends on the priority that one gives to certain matters. I am bound to say that if I were on Glasgow corporation the Burrell collection would not be the first item that I would consider in making economies. I should add tht I have contributed from my budget, pound for pound, what Glasgow corporation has produced. It was not easy for me to find my share, but I made savings elsewhere in my programme.

Mr. William McKelvey (Kilmarnock and Loudoun): Will the Secretary of State say how long and how often he will perpetrate this series of gross injustices against the democratically elected Scottish councils? If he believes that to be kind he should be clinical, why does he not apply the coup de grace? Why not chop off their heads? Why not send in the Army, take over the councils and administer them himself?

Mr. Younger: If the hon. Gentleman's policy is to send in the Army to run local authorities, I cannot agree with him.

Mr. Tom Clarke (Monklands, West): Is the right hon. Gentleman aware that this may be the last question, but that it will be by no means the last word on the matter? Is he aware that it is demoralising in the extreme for local authorities to be given a lecture of this kind when their record on budgeting is far better than that of central Government, particularly that of this Government? Did the Secretary of State take into account the Chancellor's announcement about the reduction in health expenditure, which means an increasing burden on the social services of local authorities? Did he not therefore consider increasing the allocation rather than decreasing it in that respect?

Mr. Younger: I appreciate what the hon. Gentleman says, particularly in view of his experience in local government. He will understand that it would be very easy to run local government if one did not have to pay attention to whether expenditure was going up. He made a comparison between central and local government. The Scottish Office has achieved a reduction of about 14 per cent. in manpower, whereas local authorities are not remotely near that achievement. I hope that the hon. Gentleman will recognise that.

Mr. Norman Buchan (Paisley, South): Is it not an added impertinence for the Minister not only to take it unto himself to determine the level of services that should be provided in general terms, but to offer gratuitous advice —rather impertinent advice—from the Dispatch Box? Does he recall that on an earlier occasion an attempt was made to bring in museum charges? That was done when the present Prime Minister was Minister of Education, and she was beaten largely by members of her own party, which, I confess, was a rather more civilised and less philistine party than it is now.

Mr. Younger: It would, of course, be much easier for me and my Department to sit back and ignore the whole question of local government spending. The reason why we cannot do so—it is a common view on both sides, at any rate between the Front Benches — is that local government expenditure is an indissoluble part of public expenditure as a whole. It is agreed between both sides of the House that the Government of the day must have some say in local government spending. The hon. Gentleman cannot get out of that commitment, and I hope that he will not try to do so.

Mr. Millan: Will the right hon. Gentleman answer one question that he has not yet answered? I said that, on my calculation, for local authorities to reach his figures they would have to reduce expenditure next year by 6 per cent. in real terms. Is that the figure? If not, what is the Secretary of State's figure?

Mr. Younger: That depends on the figure that the right hon. Gentleman is reducing from. If he is reducing from local authorities' actual expenditure, which is very much above the figure that the Government suggested, that may well be the figure. I do not know precisely what it is. The

[Mr. Younger]

right hon. Gentleman has still not answered the question. If he agrees, as I understand he does, that the Government, of whatever party, must have some say in local government spending, if he is against selective action, and he is now against general action, what on earth is he in favour of? The answer is that he will not face these issues.

Mr. Speaker: I thank Scottish Members for their co-operation on the statement and wish them all a happy holiday.

Stock Exchange

4 pm

The Secretary of State for Trade and Industry (Mr. Cecil Parkinson): With permission, Mr. Speaker, I wish to make a statement about the case brought by the Director General of Fair Trading against the Stock Exchange in the Restrictive Practices Court.

Ministers have for some time been concerned that the court proceedings under the Restrictive Trade Practices Act 1976 may not be the best way to pursue the matters raised by the Director General. While these proceedings are pending, it is difficult for the Stock Exchange to make changes to enable its members to compete for business worldwide. There is also a danger that the legal proceedings within the framework of the Act may damage the effective operation of the Stock Exchange, which remains essential to the working of our economy. Accordingly, the Government would wish to see the matter settled out of the court, if the Stock Exchange is able to make acceptable changes.

I decided to discuss the matter with the Director General and thereafter with the chairman of the Stock Exchange. I explained that the Government had concluded that in order to safeguard the position of investors the separation of the functions of brokers and jobbers should be preserved at least for the time being in its present form. The House will recall that, in analogous circumstances, it insisted on separating brokers and underwriters at Lloyd's. The Stock Exchange's rules, which prescribe the separation of capacity, may have to be included in statutory provisions under European Community directives. In that case I intend to make regulations under the European Communities Act, 1972.

I said that I should also expect the Stock Exchange to make changes on points of concern to the Director General. Following discussions with his council, the chairman of the Stock Exchange has made the following proposals to me.

The council will take action to dismantle by stages and with no unreasonable delay all the rules which prescribe minimum scales of commission, completing this by 31 December 1986. The Stock Exchange will continue the rules prescribing separation of capacity of brokers and jobbers. The council will introduce rules to permit non-members to serve as non-executive directors of limited corporate members of the Stock Exchange, provided that there is always a majority of directors who are members of the Stock Exchange.

The council will recommend to the members of the Stock Exchange changes which would, first, introduce lay members to the council of the Stock Exchange, their number and the method of their selection to be agreed with the Bank of England. Secondly, the changes would establish a new appeal body, independent of Stock Exchange members of the council. If the council were to reject an applicant for membership who fulfilled the requirements of the rules, the appeal body could review the decision and over-rule it. This body would include lay members of the council, but Stock Exchange members of the council would not be eligible. Thirdly, the changes would introduce people who are not Stock Exchange members of the council to the Stock Exchange's existing appeals committee on disciplinary matters so that they will

NOPM

MCS 26/7

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon George Younger TD MP
Secretary of State
Scottish Office
Dover House
Whitehall
London SW1A 2AU

26 July 1983

Dear Secretary of State

LOCAL GOVERNMENT EXPENDITURE IN SCOTLAND 1984-85

Thank you for your letter of 22 July.

If you can accept the general abatement of £45 million for 1983-84 which I have proposed as a compromise, I can accept your proposals for 1984-85. Perhaps your officials could clear with mine the draft of the statement you will make.

I am sending copies of this letter to the recipients of yours.

Yours sincerely

Jst. Grier

for PETER REES

[Approved by the Chief Secretary]

Local Govt, Relations, Pt 16

Local Govt & Rlns

EE/BI

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

25 July 1983

Dear Tim,

Rme Murdo

STATEMENT ON SCOTTISH LOCAL AUTHORITY EXPENDITURE 25/7

Provisional arrangements have been made with Nick Huxtable for my Secretary of State to make a statement about Scottish local authority expenditure on Wednesday 27 July.

At present, the statement is confined to my Secretary of State's proposed reduction in Rate Support Grant, which will be the subject of a Variation Order to be laid on Thursday or Friday. I attach a draft of the statement and would be grateful for your clearance. If the agreement of the Chief Secretary to the Treasury is obtained beforehand, the statement will be extended to cover local authority expenditure in 1984-85 and the enhancement of the planned provision for that year.

I am copying this letter to John Ballard (Environment), Adam Peat (Welsh Office), John Gieve (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office), Nick Huxtable (Office of the Leader of the House), Richard Hatfield (Cabinet Office) and to the No 10 Press Office. I am also sending a copy to David Beamish (Office of the Leader of the House of Lords) to consider whether a parallel statement should be made in the Lords.

Yours sincerely

Eddie Gowans

EDDIE GOWANS
Private Secretary

DRAFT STATEMENT

LOCAL GOVERNMENT EXPENDITURE (SCOTLAND)

With permission, Mr Speaker, I shall make an announcement about the rate support grant settlement for Scotland for 1983-84.

Scottish local authorities' planned expenditure for 1983-84 is £121 million, or 4.5%, higher than was proposed in the rate support grant settlement. When I met the Convention of Scottish Local Authorities on 17 June I said that in light of this planned overspend it was my view that there would have to be an abatement in the rate support grant payable in 1983-84. I could not indicate at what level that might be until I knew the outcome of the selective action which I had initiated against certain local authorities on grounds of excessive and unreasonable expenditure.

On 21 July the House approved Reports proposing reductions in the rates of four local authorities equivalent to expenditure reductions of £18.8 million. The planned expenditure of Scottish local authorities for 1983-84 is considerably above the level provided for in the rate support grant settlement, despite enhancement of the figures which had originally been contained in the Public Expenditure White Paper (Cmnd 8494). Since local authorities, after four years of detailed discussion are so far from having brought their expenditure down to the level required by the national interest, I have no alternative but to make a general abatement of grant to bring pressure on authorities to make commensurate savings in their expenditure. I will lay this week a Variation Order reducing the rate support grant payable in 1983-84 to Scottish local authorities by £45 million. As with the abatement in 1982-83 I shall make arrangements to ensure that no authority will suffer a loss of grant greater than its excess at outturn over current expenditure guidelines. This adjustment will be made through the rate support grant settlement for 1984-85.

cc NO

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

(2)

Prime Minister

To be aware of George Younger's statement next week. MCS 22/7

CONFIDENTIAL

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1

22 July 1983

Dear Peter,

LOCAL GOVERNMENT EXPENDITURE IN SCOTLAND 1984-85

This letter follows the discussion in E(LA) on 19 July and aims at enabling me to make a statement in the House on Wednesday 27 July about enhancement of the figure in the Public Expenditure White Paper. I have arranged to make a statement that day about the Valuation Order which will enable me to withdraw grant across the board in respect of overspending in 1983-84. E(LA) invited me to agree with you what should apply to Scotland as regards enhancement.

This will be the first occasion for Scotland that the Variation Order precedes the main RSG Order for the following year. It will obviously be strongly resented by Scottish local authorities both because of its size - well above the £27 million withheld in the previous two years - and because of its timing. The timing is in accordance with your wishes to enable the payments of grant to be abated earlier in the financial year. So my announcement, if it is confined only to the general abatement of grant for 1983-84, will be bad news. That is why I hope we can agree that I should at the same time announce some better news in the shape of enhancement of the Scottish local government expenditure line for 1984-85.

The problems which concerned our colleagues in E(LA) about English local authorities' expenditure are not relevant for Scotland. I am solely responsible for all the service components in Scottish local authority expenditure, the Scottish authorities have their holidays mainly in July and would thus be able to get on with budget planning in August, and they will complain if we do not repeat the last two years' announcement in July.

One matter which caused endless trouble this year, particularly with District Councils and my justification of selective action, was the unallocated margin being withheld from guidelines. I hope you will now be able to agree that for 1984-85 the margin can be included in the guidelines, a matter which our officials have discussed; it would still not be attributed to particular services. That would very greatly ease my difficulties with Scottish authorities.

Because of the way in which the formula works for allocating to my block a share of whatever enhancement is agreed for England, I shall have to announce a lower percentage increase on the White Paper figure than Patrick Jenkin. If colleagues agree finally on the enhancement you and he proposed, that would produce a 4% cash increase for England but only 3.6% for Scotland. It would enormously ease my problem if I were able to announce my figures before Patrick Jenkin announces his; and since I have to make an announcement on 27 July which will be most unpopular, it would be helpful to alleviate it with an announcement on enhancement.

The figure which would be proportionate for Scotland to the £500 million being considered for England is £59 million. I hope that you would agree to my announcing that on 27 July. If the subsequent decision for England were a figure higher than £500 million, then I would naturally expect to be able to increase proportionately the figure of £59 million at the final RSG settlement.

I should be most grateful for a speedy response on the amount, on the attribution of the enhancement to guidelines, and on the timing of an announcement by me on Wednesday 27 July.

I am sending copies of this letter to the Prime Minister, to the members of E(LA) and to Sir Robert Armstrong.

Yours ever,

George

Local Govt, Relations, Pub