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Prime Minister ①

CC/NO



I see no hope of changing the Government's behaviour

Are you content with the agreement hammered out by Lord Whitelaw?

Or do you want a word first (this would probably have to be by phone tomorrow morning?)

PRIME MINISTER

Rate Support Grant Debate 16 January 1985: Commitments for 1986/87 15/1

AT
Not X for too far out

Yesterday evening I held a meeting to consider a possible form of words for use in the debate on the Rate Support Grants Reports on Wednesday 16 January, when the problem of the way in which low-spending authorities will be affected by future RSG settlements is certain to be raised.

2. The Secretary of State for the Environment, the Lord Privy Seal, the Chief Secretary, Treasury, the Paymaster General, the acting Chief Whip and the Minister for Local Government were present. We discussed the text attached to the Secretary of State for the Environment's letter to me of 10 January, and the changes to it proposed in the Chief Secretary's letter of 11 January. The textual amendments suggested by the Chief Secretary were agreed.

3. The Secretary of State for the Environment has been told by Government backbenchers that when he opens the debate he will be pressed, particularly on behalf of the Shire counties, to give firm undertakings that in 1986/87 the Government will continue to pass on to low-spending authorities the savings achieved from rate-capping the highest spenders. He expects also to be pressed to say that such authorities will not suffer further real cuts. John Biffen and John Cope consider that it is important to give a reassuring response to that pressure.

Wednesday's debate will not be easy to handle but it will set the atmosphere for the even more difficult forthcoming debate on local authority capital expenditure; if the Government's supporters cannot be reassured to some extent on Wednesday, their dissatisfaction is likely to spill over into the latter debate. On the other hand, all those at my meeting agreed with the Chief Secretary's point that it was essential to keep local authority spending under strict and effective control and not to compromise the aggregate figures which have been

CONFIDENTIAL

CONFIDENTIAL



agreed for 1986/87 and 1987/88. We should therefore say no more than is necessary to give essential reassurance to our supporters.

4. In the light of these considerations, the best measure of agreement that could be reached at the meeting was that in opening the debate Patrick Jenkin should use only the preamble of his proposed text, a copy of which is attached. If pressed, he might add the additional passage about targets for 1986/87.

Patrick is convinced that nothing less will do and that even this is unlikely to satisfy those of our supporters who are concerned. In addition, therefore, the Chief Secretary reluctantly agreed that if, and only if, Government supporters insist on assurances that there will be no cuts in real terms, or that expenditure would be allowed to increase in line with expected inflation, Ministers should say that "that will be our expectation for the very lowest spenders" on the basis that such a statement would in no way jeopardise the aggregate figures agreed for 1986/87. (We define the very lowest spenders as at the most those who in 1985/86 spend below their targets and below GRE.)

This is a narrower category than that covered by the Pym commitment last year.) In winding up the debate, Kenneth Baker should in no circumstances allow himself to be drawn any further.

5. I am reluctantly persuaded that nothing less will do. You may wish to have a word with me about this.

6. I am sending copies of this minute to those who attended the meeting, to other members of E(LA) and to Sir Robert Armstrong.

Privy Council Office
15 January 1985

hs/w

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Note - Mr Jenkins spoke
more or less exactly in these
terms. AT 17/1

RSG DEBATE 16 JANUARY: DRAFT PASSAGE ON 1986/87

PREAMBLE

I recognise the force of the point put to me by a number of low-spending authorities that, whereas they can with difficulty live with their targets for 1985/86, they nevertheless face real difficulties for 1986/87. The House will understand that I cannot at this stage give any detailed figures for individual authorities in 1986/87. But I hope the following remarks are helpful.

First, I should like to be able to abandon targets and holdback altogether. But much depends, first, on the level of local authorities' expenditure in 1985/86; and second, on the alternative pressures I can bring to bear to achieve delivery of the Government's public expenditure plans. I am considering this urgently, but there is nothing ^{more} I can say to the House today. In what follows I am assuming that targets have to be retained for 1986/87.

The more favourable targets which I have given low-spending authorities for 1985/86 have been made possible by the savings achieved by rate-capping the highest spenders. Rate-capping will produce further savings in 1986/87 and thereafter, as we continue to bring down the excessive spending levels of authorities selected each year under the Rates Act.

I can say now that, again, low-spending authorities will benefit from rate-capping.

Mr Baker did not, in the
event, need to use X.

AT
17/1

IF PRESSED

For authorities which budget in the coming year 1985/86 to spend at or below both target and GRE, targets for the following year, 1986/87, will take account of these further savings to be achieved from capping the highest spenders.

These low-spenders' targets in 1986/87 will therefore be both more favourable than they would have been but for rate-capping, and more favourable than for authorities who budget this year to spend above either target or GRE.

~~X~~ IF FURTHER PRESSED to say if expenditure will be allowed to increase in line with expected inflation:

"That will be our expectation for the very lowest spenders."