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PRIME MINISTER

25 October 1985

SCOTLAND: LOCAL AUTHORITY SPENDING

George Younger is trying his usual tactics. His argument is:

- the Treasury want savage reductions of grant to Scottish local authorities;

- he (GY) is willing to accept this;

- but there will be a political disaster;

- so, will you please take responsibility for it?

This is a question expecting the answer 'no' or, more precisely, the answer 'no, the Treasury must provide some more money instead'.

But the right answer is: 'if there will really be a political disaster, GY should find some extra money for the local authority grant from some less contentious part of the massive Scottish block-budget'. The Scots will not have much difficulty identifying such an item if they actually try; at present, their provision is about £900m higher than comparable English figures. Examples of feather-bedding include:

	ENGLAND	SCOTLAND
NHS beds per 1,000 people	7.5	11.3
Pupil/teacher ratios	18.5	*17.3
Proportion of road schemes which don't make a reasonable return	14%	28%
Proportion of housing lacking basic amenities	5%	2.8%
Average Council rents	£14.05	£9.84

And Scotland is no longer the poor relation. Admittedly it still has higher unemployment (14.6% as against 12.8% for Great Britain). But North Sea oil has brought prosperity. In 1972 GDP per head was only 93% of the national average. By 1981 it was up to 99% and was still rising.

We recommend that you should ask George Younger to use money from his own budget to fund extra local authority grant if he really believes that a 1.5% real terms expenditure reduction will cause a political disaster.

OLIVER LETWIN