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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

LOCAL GOVERNMENT FINANCE: INTERIM AND LONG TERM MEASURES

MEMORANDUM BY SECRETARY OF STATE FOR SCOTLAND

1. In E(81)71, the Secretary of State for the Environment sets out proposals on local authority expenditure and the rating system in England which might take effect in April 1983 and on options for the longer term.
2. In Scotland, as in England, our present public expenditure plans require local authorities to reduce the volume of their current expenditure at a rate which our present means of influencing the overall level of local authority expenditure are unlikely to deliver, in particular because of the intransigence of those local authorities which are determined to increase their expenditure levels, despite grant reductions.
3. On 4 June I announced to Parliament that I would be considering with my colleagues the medium-term measures required to bring home to local authorities and their electorates the consequences of high-spending policies, and that a consultative document on rates would be issued in the autumn.

Medium-Term Measures

4. I see considerable merit in the general thrust of the proposals in paragraphs 5-12 of E(81)71. The Scottish rate support grant system would not, however, enable me to exercise a control of rates by the means there described. I propose to consider how to introduce comparable measures for Scotland in the light of the decisions reached on E(81)71. Accordingly my statement on the Scottish arrangements will be made rather later than that for England.
5. I should, however, make clear at this stage my reservations about the proposal in paragraphs 5(v) and 7 of E(81)71 that

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the second supplementary rate should be subject to re-election. The results of a re-election would depend upon a wide range of issues quite apart from those arising on the second supplementary rate. My strong preference would be for a referendum directly associated with the second supplementary rate.

6. Since an Accounts Commission already exists in Scotland, which makes extensive use of private sector accountants for local authority audit, my proposals will not include measures as in paragraphs 11 and 12 of E(81)71, but I shall make clear that I shall continue to exert pressure on high-spending authorities in 1982-83 as in 1981-82.

The Longer Term

7. I am content with the proposals for the preparation of a consultative document on Alternative to Domestic Rates in the autumn as proposed in E(81)71, with which the Scottish Office should be associated. The consultative document to be issued in Scotland will have to take account of the differences in the Scottish rating and rate support grant systems, but the recommended alternatives would be of a like nature.

Conclusion

8. I accordingly invite colleagues to agree:-

- (i) that I should consider further the medium-term measures to be adopted in Scotland in the light of decisions reached on E(81)71, and seek colleagues' agreement in correspondence to the issue of a consultative document for Scotland in due course; and
- (ii) that the Scottish Office should be represented on the interdepartmental group of officials concerned with alternative to domestic rates.

G.Y.

SCOTTISH OFFICE
22 JUNE 1981