



✓ AD
AD

Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB

This is the

latest proposed formulation.

My ref:

which do you prefer?

Your ref:

18 December 1981

MUS 18/12

*TAD Edmonds
by telephone
MUS 24/12*

Dear Michael

STATEMENT ON LOCAL GOVERNMENT SPENDING

below -

In his letter of 14 December, Clive Whitmore set out the Prime Minister's formulation on local government spending. Since then, of course, the Home Secretary has minuted the Prime Minister. The statement, of course, is to be made on Monday. My Secretary of State would be very happy with the following version

"Central government attaches the utmost priority to achieving the targets of local government current expenditure. The Government recognises that it is for local government to make its own choices, subject to statutory obligations, as between services in taking the necessary steps to achieve the targets."

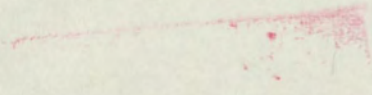
I am sending copies of this to the Private Secretaries to all members of Cabinet, the Chief Whip, and to David Wright at the Cabinet Office.

*I am quite happy
with this formulation
not.*

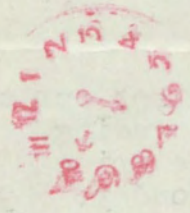
*Yours sincerely
David Edmonds*

D A EDMONDS
Private Secretary

2 MARSHAM STREET
LONDON SW1W 8EJ



18 DEC 1961



TO: [Faint, illegible text]

CONFIDENTIAL

Prime Minister

2

To note.

PRIME MINISTER

MS 21/12

LOCAL AUTHORITY EXPENDITURE

^{TPM}
I very much agree with the Home Secretary's suggestion, in his minute to you of 16 December, that we should make it clear that the Rate Support Grant settlement indicates the central government's view on the levels of relevant expenditure by service. We agreed in Cabinet yesterday to do nothing which might appear to encourage or condone failure by local authorities to observe our expenditure targets. But, as the Home Secretary says, we cannot simply abandon to local authorities all choice of priorities between services. We must give them a lead.

I am sending copies of this minute to the other members of the Cabinet and to Sir Robert Armstrong.

g. ms

18 December 1981

CONFIDENTIAL



✓ AW
AD
JV

p.1. (now overtaken)

Treasury Chambers, Parliament Street, SWIP 3AG

MUS 22/12

Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

18 December 1981

rec'd 22/12

Michael

RSG ANNOUNCEMENT, 21 DECEMBER

in PM's box

Thank you for your letter of 16 December suggesting a draft PQ announcing further details of the RSG Settlement.

I am broadly content with what you propose. In particular, I attach great importance to the presentation in paragraph 10. As the Prime Minister agreed on 14 December, it is vital that we give first priority to achieving the overall level of local authority current expenditure embodied in our plans. Our own priorities for the distribution of that expenditure must be secondary. In general, of course, local authorities are free to set their own priorities among services.

I recognise that you will need to explain very carefully to local authorities how the individual targets have been constructed, but in presenting them to the House, I wonder whether greater emphasis on cash in your paragraph 8 might be more appropriate. I suggest something on the lines of the analysis you prepared for us in E(81)117:

"For nearly all authorities the targets lie in the range from 2.5 per cent below to 5 per cent above the 1981-82 revised budgets. What this means in real terms will depend in large part on local authority pay settlements. If they are in line with the Government assumption of 4 per cent, the real reduction required will be about 4 per cent on average from revised budgets. But the cash targets will require greater real reductions if pay settlements are higher than this."

I am copying this letter to the Prime Minister, the other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Leon
LEON BRITTAN

CONFIDENTIAL



W.A. Duguid

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

David Edmonds Esq
Private Secretary
Department of the Environment
2 Marsham Street
London
SW1P 3EB

17 December 1981

Dear David

As my Private Office told you earlier today, my Secretary of State has three amendments to propose to the draft RSG announcement enclosed with your letter of 16 December to the Chief Secretary:-

Paragraph 5, line 1: Substitute "reflects" for "takes account of".

Paragraph 10: Substitute for the last three sentences, in square brackets, the Prime Minister's formulation in Clive Whitmore's letter of 14 December. In Sir Keith Joseph's view this strikes the right balance between the Government's objectives for local authority expenditure as a whole and the needs of and policies for individual services.

Paragraph 11: Add at end "Subject to these revisions, the GREs represent the Government's estimates of what each authority might be expected to spend, within our expenditure plans, in order to provide a reasonable level of service."

I am copying this letter to the private secretaries to the Prime Minister, other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Yours sincerely

Peter Shaw

P A SHAW
Private Secretary

CONFIDENTIAL



DEPARTMENT OF THE FAIR TRADE
COMMISSION
NEW DELHI

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Prime Minister

Content, subject to the agreement
of colleagues?

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

MUS 18/12

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

CONFIDENTIAL

17th December 1981

De lea

Yes m

TOW John Long 21/12

MUS-

RSG ANNOUNCEMENT - 21 DECEMBER 1981

I have seen a copy of Michael Heseltine's letter to you of 16 December about the English RSG Announcement on 21 December.

... I will be making the Welsh RSG announcement on the same day and I attach a copy of my proposed written answer.

/ I am copying this to the Prime Minister, all Cabinet colleagues, the Chief Whip and Sir Robert Armstrong.

J er

Neil

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON



ARRANGED WRITTEN PQ

WELSH RSG SETTLEMENT 1982/83

Question

To ask the Secretary of State for Wales if he will make a statement about the Welsh RSG Settlement for 1982/83.

Answer

At a meeting today of the Welsh Consultative Council on Local Government Finance I announced my decisions on the Welsh Rate Support Grant settlement for 1982/83.

The main decisions are as follows:-

Relevant Expenditure

Total relevant expenditure for RSG purposes will be £1,301 million. Of this amount £1,126 million is current expenditure, an increase of £94 million over the current expenditure provision in the 1981/82 Settlement. The relevant expenditure total also takes account of the capital expenditure allocations of £279 million which is £46 million more than the amount allocated for 1981/82. The assumption on rent increases in Wales is £2.50 per dwelling per week.

Aggregate Exchequer Grant

Aggregate exchequer grant will be 72.5 per cent of relevant expenditure, a total of £943 million.

Specific Grants

The estimated total amount of specific grants will be £96.62 million.

Transport Supplementary Grant

The prescribed amount of Transport Supplementary Grant will be £30 million.

National Parks Supplementary Grant

The prescribed amount of National Parks Supplementary Grant will be £1.69 million.

The Rate Support Grants

The total amount of the Rate Support Grants will be £814.69m. The specified level of domestic rate relief will be 18½p in the pound and Domestic Rate Relief Grant will be £24.7 million. Block Grant will total £789.99m.



Distribution of Block Grant

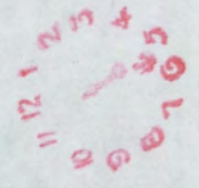
Block grant will be distributed in accordance with Grant Related Expenditure (GRE) formulae agreed by the Welsh local authority associations. The structure of grant related poundages will be broadly the same as for 1981/82, the main difference being that there will be an increase in the slope of the poundage schedule above the threshold. This change will act as a further disincentive to very high spending in relation to GRE.

Safety Nets

There will be a safety net by which grant losses arising from changes in GRE and the residual effect of moving to the new block grant system will be limited to the grant equivalent of a 5p rate at the ratepayer level.

Copies of my full statement to the Welsh Consultative Council have been placed in the Library. All the provisions of the 1982/83 Settlement will be included in a Welsh Rate Support Grant Report which will be laid before this House for approval next month.

16 DEC 1961





7 pp.
Prime Minister

You agreed Mr Heseltine's draft written answer subject to the views of colleagues. Agree Mr Whitlam's amendment?

PRIME MINISTER

LOCAL AUTHORITY EXPENDITURE

MUS 18/12

C.F.
pl attach
with MW's
letter of 18/12
MCS

I have seen a copy of Michael Heseltine's minute of 11 December and your Private Secretary's reply of 14 December. Whilst I fully endorse the need to maintain pressure on local authorities to keep their expenditure in 1982-83 within the planning totals, I feel bound to express some concern about the possible effects on the law and order services if local authorities were to act on the letter of the proposed form of words.

We have recently completed the annual public expenditure survey in the course of which we have agreed collectively to make provision for continued growth in the police, magistrates' courts and probation services. We have accordingly published a pattern of local authority expenditure reflecting the Government's own views on priorities among services and I have myself referred in the House at the time of the debate on the prison service to our provision for growth in the number of probation officers. In order to allow for our agreed approach in the law and order services we have accepted painful and politically unwelcome reductions in other fields and I am very much of the view that we cannot simply abandon the choice of priorities among services to the local authorities. I think it right to give some indication of where we stand beyond simply publishing figures in the forthcoming Rate Support Grant settlement and White Paper.

To illustrate my difficulty, I have recently had representations from the Association of Metropolitan Authorities about the risk to the police service in the Metropolitan counties, where police costs make up some 30 - 40% of their total budgets.

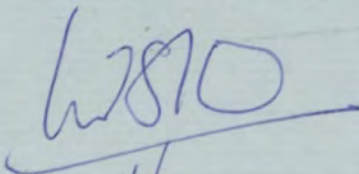
If the reduction we require from local authorities were applied on the basis of "equality of misery" the effect on Merseyside, for example, would be a reduction in uniformed police strength of 1,200 policemen.

I am in little doubt that this kind of figure is being bandied about as much as anything to create political embarrassment for us. But, for all that has been said about the freedom of local authorities to determine their own priorities, as a Government we have made money available for growth in the services this year which reflects our concern about law and order. We should not allow that to be totally obscured.

There is another reason why local authority should not be encouraged to think that they have complete freedom to switch priorities. In the case of police, I am required by law to be satisfied of the efficiency of each force before Exchequer grant can be paid. The probation service and the magistrates' courts are run by committees that are separate from local authorities, and I have a statutory responsibility for resolving disputes between these bodies and the local authorities over proposals for expenditure. It follows that in the second sentence of the proposed draft, "within the limits of statutory obligations" should be amended to read "subject to the statutory obligations".

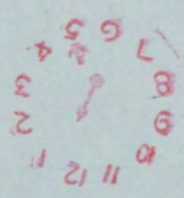
I hope, therefore, that you and Michael will be prepared to agree that the proposition should be modified to read as follows:-

"Central government attaches the utmost priority to achieving the targets of local government expenditure. It is for local government to make its own choices, subject to the statutory obligations, as between services. The Rate Support Grant settlement indicates the Central government's view on the levels of relevant expenditure by service."


16

December 1981

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17 DEC 1981

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b.p.s.



✓ AD

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Michael Heseltine MP,
Secretary of State for the Environment,
Department of the Environment,
2 Marsham Street,
London SW1

16 December 1981

Dear Michael.

OUTSTANDING ISSUES FOR THE 1982-83 RSG SETTLEMENT: AGENDA FOR 1983-84

Your letter of 9 December to Willie Whitelaw invited early agreement from members of MISC 21 on the remaining details of this year's RSG Settlement.

I recognise the urgency of finalising grant details for individual authorities, in order to permit an announcement of our detailed proposals on 21 December; and I am therefore content, in the circumstances, that the outstanding issues should be resolved in the way you propose. I remain however concerned about a number of aspects of this year's RSG Settlement; and am writing to suggest that we invite our officials to begin work early in the new year to ensure that, when we get to next year's Settlement, we have a more satisfactory range of options before us. With the removal from your Local Government Finance Bill of those elements that might have put effective pressure on high-spending authorities (only the imprudent will get caught by the abolition of supplementary rates), it seems to me doubly important that, for 1981-84, we work towards a coherent block grant regime that serves our various policy objectives. By this I mean a regime that furthers what I accept must be our overriding objective of securing our planned expenditure reductions across local government generally, but does so in a way that puts maximum reasonable pressure on high spending authorities and offers the prospect of safeguarding standards of services elsewhere.

In this context, I would have ^{pk7} liked to have seen you adopt a more severe regime for high-spending authorities this year. I suggested one way that we might achieve this in my letter of 9 November. Tom King's letter of 20 ^{pk7} November indicated briefly why you were reluctant to adopt my suggestion for this year, but expressed willingness to look at it again next year, along with my earlier suggestion that we should adopt a curved taper of broadly the kind adopted for Wales by Nicholas Edwards. This would give a progressive disincentive to increased, and a progressive incentive to reduced expenditure for all authorities at any point along the curve. I hope that this will be pursued seriously for 1983-84.

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I sense that your reluctance to adopt such a taper for 1982-83 stems from similar causes to your proposals with regard to the treatment of London - on which I likewise have reservations: that is, from a feeling (perhaps shared by Norman Fowler) that some of the elements of GREs, other than the education GREs, are not robust enough to take the weight of a severe grant regime for high spending authorities. If that is so, the remedy should lie in improving the GREs for the services concerned; and I hope that officials will pursue such improvements actively so that we can place more reliance on GREs generally, reduce our emphasis on alternative targets, and not draw back from using the block grant mechanisms to achieve our general objectives.

I am sending copies of this letter to the Prime Minister, colleagues on MISC 21 and Sir Robert Armstrong.

Conover,

Newr.

CONFIDENTIAL

Local Government Finance

3.47 pm

The Secretary of State for the Environment (Mr. Michael Heseltine): I will, with permission, make a statement about a number of rating and local government finance matters. In its relationship with local government, the Government face two main problems—first, the need to contain levels of expenditure, and secondly, the need to make progress with their commitment to reform the rating system.

The Government are determined to reduce the level of local government current expenditure and to ensure, through the distribution of the rate support grant, that the consequences of high spending policies are financed more directly by those local communities where the highest spending takes place. The majority of local authorities have now proved that the Government's expenditure targets were realistic and attainable. I am most grateful to those authorities for the very real efforts that they have made.

The continuing wish of most local authorities to co-operate with Government by reducing the rate borne costs of public expenditure in their areas is further reinforced by the publication today of the latest local government manpower figures for England.

They show the largest total drop in manpower ever achieved in one year. At 1.9 million the number of full-time equivalent employees in local government in England is the lowest total recorded since the joint manpower watch system was introduced, and effectively eliminates all the manpower growth that has taken place since 1974.

In their determination to maintain pressure on current expenditure, particularly in authorities which do not co-operate with the overall policy of securing a better balance between the public and private sector, the Government decided to legislate this Session to deter high spending.

The Government intend to proceed with legislation. Instead of the proposals to permit supplementary rates only after a poll of local communities, the Government propose to ban supplementary rates altogether. Parts II and III of the Bill subject to drafting changes, will stand. I am therefore withdrawing the Bill which was introduced on 6 November and I am introducing today a new Bill incorporating these proposals.

During the financial year, an authority may incur unforeseeable expenditure. In these circumstances, it could apply to me for temporary borrowing permission. I would not grant such permission unless it was absolutely essential for the expenditure to be incurred in the year, and unavoidable commitments met. I would expect the borrowing to be repaid out of revenue income within the first quarter of the following year.

Our election manifesto restated our determination to reform the domestic rating system. I am today publishing, together with my right hon. Friends the Secretaries of State for Scotland and Wales, a Green Paper on alternatives to and possible reforms of, the present system of domestic rates. The present system contains anomalies and unfairness. In publishing the Green Paper, the Government reaffirm their long-standing commitment to reform.

The Green Paper considers first the main requirements to be met by any revenue-raising system for local government. Against those requirements, it discusses,

first, domestic rates, and then the most promising alternatives—local sales tax, local income tax, poll tax and assigned Exchequer revenues. It then discusses a number of associated questions, including the economic effects of change and the consequences for the system of Exchequer grant towards the cost of local services.

We have said in the Green Paper that the country views the question of domestic rates with a sense of urgency and that the Government wish to move ahead as quickly as possible. I am, therefore, asking for comments on the Green Paper to be submitted by 31 March 1982.

I look forward to wide-ranging consultations between now and next April. We shall then aim to produce proposals for a system which would remedy as fully as possible the shortcomings of the existing system of domestic rating and which would command the widest possible acceptance in the country as a whole.

Mr. Gerald Kaufman (Manchester, Ardwick): This is an important day for Parliament. The decision to withdraw the Local Government Finance Bill introduced six weeks ago means that the Secretary of State has learnt a lesson in democracy. He has learnt that, whatever the size of their majority, no Government can simply slap down a Bill and complacently assume that the House of Commons will rubber-stamp it. The Secretary of State would have done well to admit that frankly, rather than to try to wrap up his humiliation in verbal camouflage that will deceive no one. For example, we note that he has claimed credit for increasing unemployment.

Does the Secretary of State recall that this is the second local government Bill in two years that he has introduced and then had to withdraw? Paraphrasing Lady Bracknell's remark in "The Importance of Being Earnest", to lose one local government Bill may be regarded as misfortune; to lose two seems like carelessness.

How can the Secretary of State justify the turmoil into which he has thrown every local authority in the country over the past three months, all for what turns out to have been an exercise in futility? His decision to ban supplementary rates is deplorable in itself, but is it not also a direct invitation to every borough treasurer to evade the control by recommending a high initial rate for contingency purposes? Accordingly, could it not be an incentive to overspend?

Since the Secretary of State himself clearly has little confidence in this No. 2 Bill—his seventh attempt to arrive at a solution to a problem that does not exist—why should anyone else support it? Is he aware that, although shorn of the unacceptable device of the compulsory referendum, it is still a gross interference with the independence of local government? Is he aware that every hon. Member who cares about genuine local democracy will oppose it?

We shall study the right hon. Gentleman's Green Paper and await the Government's conclusions. We hope, this time, that there will be genuine consultation with the local authorities and that their knowledge and experience will be taken into account. Will he abandon, once and for all, his meddling with local government and allow it to get on with its job?

Mr. Heseltine: I do not believe that the decision to do away with supplementary rates will increase the initial budgeting of local government. The technique of supplementary rates has been relatively rarely used in the past because treasurers have budgeted for contingency

Mr. Lawson: I do not know what the hon. Gentleman means by saying that we are to have an extended winter. Perhaps he has information that I lack. I can assure him that the emergency services, particularly of the electricity boards, are in no way hampered in their work by cash limits. Of course they must operate within a financial discipline, but so does everybody.

Mr. Peter Mills (Devon, West): I have an interest in these matters. Is my right hon. Friend aware that for four days my farmhouse has had no electricity, and that that is not funny? Will he also take note of the remarks of my right hon. Friend the Member for Taunton (Mr. du Cann) that far more repair gangs should be brought in from other areas more quickly? It was a real emergency and much more should have been done. Will he investigate the possibility of providing additional spacers on the lines to stop them touching during high winds, as that causes many of the failures?

Mr. Lawson: My hon. Friend's last point is one of the matters that will be considered in the review of transmission and distribution lines. I readily acknowledge that farmers probably suffer most from the power cuts. I understand that the Milk Marketing Board has made special arrangements for the collection of milk and that that is no longer a problem. Many farmers have standby generators which have helped them with their milking process. I am assured by the National Farmers Union that there are no major problems in that area. However, it has undoubtedly caused great difficulties for farmers.

Mr. David Penhaligon (Truro): Is the Minister aware that extremes of weather are not exactly unknown in the far South-West, and that freak storms can be guaranteed every year—if "freak" be the right word? Will he investigate whether a major contribution to the disaster that has hit the South-West has not been the CEGB's policy of closing down all local power stations in the far South-West peninsula?

Mr. Lawson: The problems have nothing to do with the CEGB. There has been no problem with electricity generating. The supergrid has, on the whole, worked properly and has not caused a problem. The problem has been failures in the transmission and distribution lines operated by the area boards.

Mr. Speaker: If hon. Members will co-operate, I shall call all those whom I know to have a direct constituency interest.

Mr. Michael Hamilton (Salisbury): I thank my hon. Friend the Member for Honiton (Mr. Emery) for raising this matter. If he had not done so there would not have been a statement. Does my right hon. Friend accept that when communities are without supplies for long periods, their frustration is increased by the total lack of information? Will he encourage the electricity authorities to instal a system similar to that of the speaking clock to give local weather reports and up-to-date information about the source of the troubles and what progress is being made to remedy them?

Mr. Lawson: I have examined the question of information. I am assured that the area boards made every

effort to use local radio, BBC regional broadcasts and the press to give up-to-date information about the extent of the trouble, what was happening and what was being done to put it right. Emergency information rooms were also established and isolated areas were visited by police. One problem has been the large number of telephone calls which jammed the lines and caused problems for people wishing to obtain information. Those who possessed transistor radios heard up-to-date information on the state of play.

Mr. Arthur Palmer (Bristol, North-East): I have some small practical experience of these matters. Is the Minister aware that the British electricity supply industry has one of the best records in the world for restoration of supplies after storms? Will he not extend the thanks of the Government to the engineers and workmen who have been out day and night during the past few days?

Mr. Lawson: I am delighted to have the hon. Gentleman's endorsement of the vote of thanks that I have already given.

Sir Anthony Kershaw (Stroud): Does my right hon. Friend realise that not enough news is given by telephone because the boards do not have enough lines or telephonists? Could they not install more lines against a stormy day? Is he aware that there is no shortage of generators, most of which are manufactured in my constituency? Will he ensure that the boards hire them and have them on tap?

Mr. Lawson: That is a matter for the boards. I am sure that my hon. Friend, who is a most assiduous constituency Member, will tell them how they can assist his local industry.

Mr. Robin Maxwell-Hyslop (Tiverton): Is not the lesson that should be learnt that electricity board exchanges become swamped and people cannot respond to broadcast messages? Is not the cure for that the provision of a number of ex-directory lines to which the clerks of councils have access? They can act as collecting centres for information about local supplies and conditions and can quickly phone the ex-directory numbers. Should we not learn that important lesson from the present experience?

Mr. Lawson: I shall be happy to consider that suggestion.

Mr. Dennis Walters (Westbury): Is my right hon. Friend aware that many parts of Wiltshire have been severely affected? What message can he give me, especially for homes in the Warminster area, to assure the local people that their ordeal is almost over? When there was last bad weather a couple of years ago, there were grievous problems of disconnection and we were assured that that would not be repeated. What progress has been made in the intervening period?

Mr. Lawson: As I said earlier, it is my hope that by tomorrow most consumers will have been reconnected, and that includes those in my hon. Friend's constituency. He must be aware that conditions during the past few days were very much worse than the conditions of two years ago.

items within the original budgets. The fact is that the Labour Party has too often been largely responsible for using supplementary rates actually to increase expenditure.

I cannot accept that the announcement about lower local authority manpower leads directly to higher unemployment. The Opposition will not understand that the alternative is higher rate levels which are a direct attempt to pursue higher levels of unemployment by their deterrent effect upon the private sector. For the Opposition to lecture the Government on Parliamentary democracy, when they are riddled with people trying to overthrow Parliamentary democracy, is humbug.

Several Hon. Members rose—

Mr. Speaker: Order. I remind hon. Members that this is a Supply day. There are two very important debates to follow. They are preceded by a Ten-Minute Bill. I listened with care to the statement. I believe that if I allow exchanges to continue until 4.15 pm the issue will have had a very good run.

Mr. Terence Higgins (Worthing): I welcome my right hon. Friend's decision to drop the referendum proposals, which had most dangerous constitutional implications. As the best solution to local government finance would be abolition of the domestic rating system and the transfer of the cost to the central Government Exchequer, will my right hon. Friend say whether the Green Paper considers this alternative and in particular whether it works out the savings that will be raised in terms of staff and costs in the Inland Revenue valuation department, in the collection of local rates and in the rate rebate scheme?

Mr. Heseltine: I am grateful to my right hon. Friend for what he says. The Green Paper that is now in the Vote Office explores among many options the one to which he has drawn my attention. It gives considerable indication of some of the economies that might flow. All these matters will be explored in greater depth in the consultation period.

Mr. Stephen Ross (Isle of Wight): Does the right hon. Gentleman fully appreciate that while there is a duty on all responsible local authorities to try to co-operate with central Government, whatever Government are in power, he has been stretching to the limits the patience of those who have been trying to do so over the last few years? What will happen to those authorities faced with great expenditure incurred last weekend, through damage to sea walls and suchlike, which will come out of revenue expenditure and which will take them above the level of volume targets at which they are to be penalised? Is the right hon. Gentleman prepared to be fair and reasonable in relation to the present financial year? Does he appreciate that it was a previous Conservative Administration that in 1974 reformed local government, following which there was a huge expansion of bureaucracy? Does he not agree that the fault lies with the previous Conservative Administration?

Mr. Heseltine: The hon. Gentleman will be aware that emergencies have been considered favourably in the past, where appropriate. I would obviously discuss these matters with the local authority associations in relevant cases as my predecessors have always done.

As for the claim that there was a growth in the bureaucracy following the reorganisation of local

government, any dispassionate observation of the facts will show that this is not the case. From 1956 onwards, local authority manpower increased year by year at an ever-increasing rate. It is difficult to see on the graph the point at which reorganisation took place. It was not until 1973-74 that the first checks to that increase took place, largely as a result of the oil crisis and the effects of the Labour Party.

The hon. Gentleman claims that the patience of local government has been stretched. I pay tribute to those authorities that are co-operating, but I have to make the point that the public and the ratepayer have had their patience stretched beyond endurance in many cases.

Mr. George Cunningham (Islington, South and Finsbury): In examining ways of reforming the rating system, will the right hon. Gentleman accept the principle that one wants to achieve a greater identity between the discretion of a local authority and its obligation to finance its exercise of that discretion from local funds? To that end, will he not try to take out of local authority funding most, but not all, educational expenditure and place it with the central Exchequer so that there is greater identity between decisions of local authorities and their means of supply?

Mr. Heseltine: The hon. Gentleman will find that a chapter of the Green Paper is devoted to the arguments surrounding the transfer of educational expenditure to the central Exchequer. He will wish, with many other people, to consider that possibility. As to trying to get greater local accountability to link high spending with bills that fall locally, the block grant mechanism achieves that.

Mr. Charles Morrison (Devizes): I join my right hon. Friend the Member for Worthing (Mr. Higgins) in congratulating my right hon. Friend the Secretary of State on dropping the proposal for referendums on rates. Is he aware that I cannot recall when last a supplementary rate was demanded in my part of Britain? Does that not show that local authorities controlled by Conservatives or independents act on the whole with great responsibility and that therefore his decision to abolish supplementary rates should be no disadvantage to a responsible local authority?

Mr. Heseltine: My hon. Friend is right. A responsible local authority will budget in the normal way. It will budget for a contingency allowance, as local authorities always do, and it will stick within its budget. If all local government now kept to the level of expenditure achieved by the Conservative-controlled councils there would be no need for the continuing difficulties between local and central government.

Mr. Hugh D. Brown (Glasgow, Provan): Does the Secretary of State agree that by linking the two subjects—the dropping of a Bill and the introduction of a Green Paper—we have all the signs of rushed government, which usually means bad government? Some of us have had some experience of that and we can recognise the signs. Does it not show that the Government have no clear idea about how they intend to reform the rating system?

Mr. Heseltine: The hon. Gentleman would be taking a different approach if we had announced conclusions today without a consultation period. I believe that we are right to publish a Green Paper which goes further in the

[*Mr. Heseltine*]

production of supplementary evidence than the Layfield report and will enable us to have a wide-ranging, but I hope relatively short, consultative period.

Sir Julian Ridsdale (Harwich): Is my right hon. Friend aware that we welcome his local authority reform proposals? Can he press for early legislation on the matter, which would mark a great contrast to the inactivity and ineptitude of the previous Labour Government?

Mr. Heseltine: My hon. Friend will appreciate that the right hon. Member for Manchester, Ardwick (Mr. Kaufmann) is now talking about reforming the local government financial scene, but he did nothing about it when the Labour Party was in office. I wish to have a relatively brief consultative period ending on 31 March 1982, which would enable us to take decisions about the timing of legislation.

Mr. John Cartwright (Woolwich, East): Does the Secretary of State accept that he is proposing to take unprecedented powers to approve the spending of individual local authorities? What will happen to those local authorities who fail to get his permission to borrow? Does he agree that most of the candidates that he has mentioned in the Green Paper are the same knock-kneed beasts that he has flogged around the course umpteen times already? Is there anything in his Green Paper that has not already been considered in detail by the Layfield Committee and similar expert bodies?

Mr. Heseltine: It would be wrong to assume that I have invented a new form of taxation in the Green Paper. However, the Green Paper sets out arguments, many of which are well rehearsed, but goes further than has been attempted before in trying to show the consequences of moving to an alternative. We have tried to analyse the impact on certain identified groups of householders of possible changes in any one of the alternatives considered to be the front runners. The hon. Gentleman has not understood the announcement that I made earlier today if he believes that I am trying to control individual authority expenditure.

Mr. Robin Squire (Hornchurch): Will my right hon. Friend accept my sincere congratulations on his proposal to drop the Bill as presented to the House, especially the proposals on referendums which would have affected central and local government relations dramatically? Secondly, I congratulate him on the solution that he has put forward. Thirdly, will he resist the siren voices--not least that of my right hon. Friend the Member for Worthing (Mr. Higgins)—who would suggest that the solution lay in a totality of central Government support, which would deprive local government of some independence and the opportunity to present its own priorities?

Mr. Heseltine: I have seldom found it possible to resist the siren voice of my right hon. Friend the Member for Worthing, but it is not for me today to try to reach a conclusion about the many preferred solutions that will be put forward for the reform of domestic rates. My task is to consult and not yet to reach judgment.

Mr. Robert C. Brown (Newcastle upon Tyne, West): Is the Secretary of State aware that in the part of the statement which refers to the rate support grant it appears

that he will cruelly cane ratepayers in cities such as Newcastle upon Tyne? Has he not yet taken it on board that what he calls the big spenders are the inner city authorities who have the big problems to deal with?

Mr. Heseltine: The hon. Gentleman is doing me the courtesy of anticipating a statement that I hope to make soon. I did not deal with the issue of the distribution of the rate support grant. That has yet to come. However, I fully understand the needs of the inner urban areas and I am aware that if there is to be a revival of activity it is necessary to have lower rates.

Mr. John Page (Harrow, West): Will my right hon. Friend not spend too much time worrying about the highly polished, pseudo-intellectual irrelevancies of the right hon. Member for Manchester, Ardwick (Mr. Kaufmann)? Will he concentrate on the petition of 3,000 or 4,000 names from my constituency which was sent to him, speaking as always for the people of London as a whole, begging him to protect them against the predatory ravages of the Greater London Council under Ken Livingstone? Will his new proposals give some protection?

Mr. Heseltine: The legislation will deal with the powers of all local authorities, including the GLC. However, there are other matters affecting the GLC which are sub judice and it would not be proper for me to discuss them.

Mr. David Stoddart (Swindon): Does the Secretary of State realise that it is nonsense to say that he is not interfering with the freedom of local government? Is he aware that if he interferes with the right to a supplementary rate or the amount of initial rate, that is an interference with the fundamental freedom of local government? How will his proposals help Swindon, which has co-operated with him all along the line and is an expansion area, which he has encouraged, but which is now being clobbered in its efforts to provide housing and new work for my constituents and those of the hon. Member for Devizes (Mr. Morrison) who gave the Secretary of State such praise?

Mr. Heseltine: I do not believe that the hon. Gentleman would expect me to make proposals specifically for his constituents, but within his constituency many people will have grave reservations about the domestic rating system and will welcome the announcements that I have made today.

Sir. David Price (Eastleigh): As one who has been seeking rate reform for at least the past 20 years, I welcome my right hon. Friend's Green Paper. Is it his intention to legislate during the next session of Parliament or must I wait another 20 years for the legislation?

Mr. Heseltine: My hon. Friend has provided an eloquent argument about why we should get on with the job and not keep him in suspense for that period.

Mr. James Lamond (Oldham, East): Why has the right hon. Gentleman lost all his faith in local democracy? Why has he changed his mind since his Local Government Bill was going through Committee? Does he recall using the memorable phrase that it was good for local councillors to feel the prick of the electorate in their bottoms? Has his attitude changed?

Mr. Heseltine: It is difficult for me to comment upon the precise impact on local councillors of any impetus that

they may feel. However, I say to the hon. Gentleman, who has such a long memory, that other changes have taken place since the 1972 reform, a significant one of which is that many people in local government no longer believe that the traditional relationship of co-operation with central government is a prime objective.

Mr. Tony Durrant (Reading, North): I welcome the Bill, but will the Secretary of State bear in mind the anxieties of industry and commerce about their rates, which are causing great difficulty, particularly to small firms and shopkeepers? Does he accept that one reason why I welcome the Bill is that industry will now at least be able to plan its budgeting for the forthcoming year, as it will know what the rate demand is?

Mr. Heseltine: That is an important point and applies not only to industry and commerce. With the abolition of supplementary rates the domestic ratepayer will also know that he has a fixed outlay which will not be varied for the forthcoming year.

Mr. Alfred Dubs (Battersea, South): Apart from what the Secretary of State said about supplementary rates, will local authorities such as the inner London education authority, from whom he has through his previous actions already taken away all rate support grant money, be immune from his further proposals and free to raise and to spend money as they believe is right in the interests of those to whom they are responsible?

Mr. Heseltine: There is a chill warning in those words. I am aware that my proposals can not fully control the phenomenon that the hon. Gentleman mentions, but I hope that his question is not a recommendation that that authority, among others, should go on a spending spree and disregard the ratepayers.

Mr. Paul Dean (Somerset, North): As I come from the county of Avon which is suffering the burden of a supplementary rate, may I warmly welcome my right hon. Friend's statement and the Government's firm intention to reform the rating system in this Parliament? In the meantime, will my right hon. Friend assure the House that local authorities who loyally co-operate with the Government's economic policy and pursue good housekeeping do not suffer thereby in their grant arrangements?

Mr. Heseltine: I am grateful to my hon. Friend. The grant arrangements are the subject of another announcement, but from what I have said it should be apparent that I am determined to co-operate with the authorities that have co-operated with the Government. Substantial differential targets have been set for the authorities which have already made substantial cuts. I sympathise with my hon. Friend's point about his constituents suffering the supplementary rate. I sympathise particularly with people who are living on fixed incomes, including pensioners, who are in now no way able to protect themselves from the effect of the rates.

Mr. Norman Atkinson (Tottenham): As the Secretary of State boasts that he is responsible for putting more local authority workers on the dole than any of his predecessors, can he explain why he wishes to keep down rates to protect employment? What connection is there between domestic ratepayers and the PSBR? How can the transfer payment affect jobs and threaten employment?

Mr. Heseltine: The economic effects are not linked simply to the PSBR. It is a question of the management of demand in society at large. As local authorities spend about £30 billion a year, the Government must take a view about the way in which the expenditure is managed and directed. I totally reject the hon. Gentleman's view that because the number of local authority employees has gone down to the 1974 level it had necessarily increased the dole queues. The vast majority of employees have left of their own free will, many to retire.

Mr. Patrick Cormack (Staffordshire, South West): May I thank my hon. Friend for listening to the views of the House expressed in the debate recently and congratulate him on the new Bill? Will the powers that he has taken to himself be limited by time, as he said in the debate might be the case? Will he assure us that this document will be the last Green Paper on the subject?

Mr. Heseltine: I very much hope that it is the last Green Paper that I produce on the subject, but beyond that I hesitate to go. It is not my intention that we should need a further Green Paper on the subject. I do not believe that we should take a decision on the limitation of time on banning the supplementary rate. It was a commitment that I gave very much in the context of the referendum provisions. The case is different when one comes to judge supplementary rates.

Mr. Frank Dobson (Holborn and St. Pancras, South): As one reason why a number of local authorities levied the supplementary rate in the current year was that the Government had given them a falsely optimistic estimate of price and wage inflation, will the right hon. Gentleman guarantee that they will be given a realistic estimate in the forthcoming year so that they are not forced into either supplementary rate demands or appeals to him?

Mr. Heseltine: The hon. Gentleman must have completely misunderstood the situation. Had the assumption been unrealistic all local authorities—not just a tiny handful—would have had to levy supplementary rates.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): May I congratulate the Minister on his readiness to withdraw the referendum principle and on bringing forward the Green Paper so quickly? If we do not wish local authorities to levy a rate higher than needed—I believe that they will if there is no chance to levy a supplementary rate—and if the Government's figures on inflation and interest rates turn out to be wrong, will my right hon. Friend reconsider the matter? Does he agree that the temporary borrowing permission affects the Government's borrowing figures and would make a difficult position even worse?

Mr. Heseltine: It is extremely unlikely that the Government would be prepared to consider the situation again if the inflation factors proved to be higher than we have estimated. We are trying to secure a better balance between the public and private sectors. We cannot accept that the private sector can only watch while the public sector virtually indexes its whole expenditure patterns. The public sector must make sufficient economies to live within the means that the Government have willed.

I am grateful to my hon. Friend for praising my readiness to withdraw the Bill. It was a flattering way to describe what happened.

BILLS PRESENTED

LOCAL GOVERNMENT FINANCE (No. 2)

Mr. Secretary Heseltine, supported by the Chancellor of the Exchequer, Mr. Secretary Whitelaw, Mr. Secretary Edwards, the Attorney-General, and Mr. Tom King, presented a Bill to abolish supplementary rates and supplementary precepts; to require rates and precepts to be made or issued for complete financial years; to make further provision with respect to the borrowing powers of local authorities; to amend the provisions relating to adjustments of the distribution of block grant; to make new provision for auditing the accounts of local authorities and other public bodies; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed [Bill 41].

Replica Firearms

4.16 pm

Mr. Eldon Griffiths (Bury St. Edmunds): I beg to move,

That leave be given to bring in a Bill to make it unlawful without a licence to import, manufacture, or offer for sale any device that resembles or is intended to resemble a firearm unless that device is incapable of being transformed into an actual firearm or is conspicuously dissimilar to the firearm it purports to resemble; and for related purposes.

Shortly after the incident on the Mall when a man with a replica firearm fired six blank shots near Her Majesty the Queen, the Home Secretary told the House that he would review the law on imitation firearms with a view to bringing forward effective control. The right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley), speaking for the Opposition, agreed to support proposals for firmer controls on firearms of all kinds, real and replica.

As it happened, I had been in close touch with my right hon. Friend on the subject of replica guns during the previous six months and urged him to take steps to deal with two things: first, the rapidly increasing availability of replica guns and their increased use by criminals; secondly, the confused and uncertain state of the law. I was joined in my representations at a later stage by the right hon. Member for Norwich, North (Mr. Ennals), whose constituents had suffered attacks by criminals using replicas and whose support I am happy to recognise.

My right hon. Friend properly pointed to the great difficulties that he and his predecessors had encountered in seeking to devise more effective controls. I should place on record the fact that at no time was he opposed to taking further action. He made only the proper proviso with which I entirely agree—I usually agree with my right hon. Friend—that the controls must be effective.

Thereafter, when hon. Members on both sides of the House made known their feelings in response to the incident in the Mall, my right hon. Friend encouraged the right hon. Member for Norwich, North and me to bring forward a private Bill, and, subject to his being satisfied that it would be workable, he offered his general support.

The case for the Bill is overwhelming. The number of robberies, burglaries, assaults, rapes and muggings carried out with the aid of imitation guns appears to be increasing rapidly. I say "appears" because the statistics are not clear. The principal reason is that in far too many cases where firearms are used in the course of crime the criminal gets away with it or is not arrested and therefore it can never enter the criminal statistics whether the weapon he used was real or fake. But the judgment and experience of the police service is that more and more replicas are being used in the course of crime and that this will continue if nothing is done, for two reasons.

First, regrettably, replicas are easier to come by than real revolvers and pistols. A person needs only to go into a shop—there are many hundreds of them—and buy one. That shop is not required to be licensed and the person who buys the imitation gun does not require a licence to possess it—at least not in most cases.

The second reason why imitation guns will continue to be used increasingly in crime is that replicas are cheaper than the real thing. Even on the black market, which thrives on illicit firearms, it costs between £150 and £200 to buy a real Walther or Luger pistol. Yet, for about £30 or £40 one can now buy a look-alike pistol that is so

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Prime Minister

Subject to the views of colleagues,
Content with this answer?

MS 16/12

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

16 December 1981

De la

Yes

RSG ANNOUNCEMENT - 21 DECEMBER 1981

On 21 December I shall be announcing decisions on the key elements of the 1982-83 settlement, following consultations with local government, and will also be announcing government proposals, distribution of grant, expenditure targets, and exemplifications of grant entitlements.

I propose to make the announcement by means of an arranged written answer and a statement to the Consultative Council on Local Government Finance. I attach a draft of the proposed answer, which would also serve as the statement to the Consultative Council on Local Government Finance. This sets out the main outline and political message of the settlement. More detailed information will be given in memoranda on distribution decisions and expenditure targets, as well as exemplifications of grant entitlements, which will be provided for the Consultative Council and local authorities and will also be placed in the library of the House.

I should be grateful for any comments which you and other colleagues may have on the draft answer by 5.00 pm on Thursday, 17 December.

I am copying this to the Prime Minister, all Cabinet colleagues, the Chief Whip and Sir Robert Armstrong.

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MICHAEL HESELTINE

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QUESTION

To ask the Secretary of State for the Environment what are his proposals for distribution of the Rate Support Grant in 1982-83?

ANSWER

1. On 2 December I announced the Government's proposals for the key elements of the 1982-83 rate support grant settlement in England. Since then I have consulted further with local government in the Consultative Council on Local Government Finance and the Housing Consultative Council. In the light of these consultations I have now decided to confirm these proposals, subject to some detailed modifications.
2. The total current expenditure provision will be £18 billion, allocated between services as set out in my answer to my hon friend the member for Chorley on 2 December (Hansard col). That is some £1 billion more than the provision for 1982-83/^{implicit} in Cmnd 8175. And it is about 2% more than local authorities are budgetting to spend in 1981-82.
3. Aggregate exchequer grant will be paid at the rate of 56% on relevant expenditure of £20.5 billion. Total grant will thus be £11.5 billion. That means we are providing for over £ $\frac{1}{2}$ billion more in grant than was provided in the year's settlement for 1981-82.
4. Specific grants will total £1662 million. Transport Supplementary Grant will total £457 million. National Parks Supplementary Grant will total £5 million. The amount remaining for rate support grant will thus be £9336m. The Government have decided to leave domestic rate relief unchanged at the 1981-82 level of 18 $\frac{1}{2}$ p in the pound. That will cost £678 million. The amount remaining for distribution under block grant will thus be £8658 million.
5. The settlement takes account of the Government's cash factors for the public sector of 4% and 9% in pay and prices respectively.

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The recent offer to local authority manual workers will make it more difficult for local government to achieve the planned level of cash expenditure. I cannot stress too strongly, therefore, that higher pay rises can only lead either to faster staff reductions within local government, or to higher rate increases, and hence higher unemployment, in industry and commerce.

6. I am making a separate announcement today about local authority housing expenditure in 1982-83.

7. As I indicated to the House on 2 December I propose to give authorities individual cash expenditure targets for 1982-83. I remain convinced that only individual targets can concentrate minds sufficiently on the reductions that need to be made. I am today sending all authorities a memorandum setting out their individual targets.

8. In setting these targets we ^{have} taken account of authorities' past performance both in relation to their grant-related expenditure assessment and against the volume targets for 1981-82. The targets are also constrained so that no authority is asked to make more than a 7% real terms reduction below its minimum volume budget for 1981-82 (ie the lower of authorities' original and revised budgets); and no authority is expected to increase its expenditure in real terms over that budget. Overall our targets represent about a 3½% reduction in real terms below minimum volume budgets.

9. In order to reinforce the targets I am proposing a scheme of grant abatement for authorities whose expenditure is above targets and above GRE.

10. Although we are providing for £½ million more grant than in last year's settlement, I do not disguise the fact that these proposals will require significant economies from local government.

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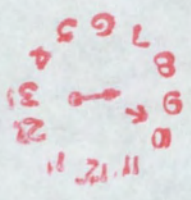
[The Government attached overriding priority to achieving the targets of local government current expenditure. This priority overrides all other priorities - even law and order should not be exempt from the search for economies. All Ministers recognise this and acknowledge that, within the limits of statutory obligations, local government is free to make its own choices as between services in seeking to achieve the targets.]

11. In further technical memoranda I have today sent all authorities details of our proposed changes to the methodology for assessing GREs in 1982-83, and to the grant-related poundage schedule, the London adjustments and the safety nets. The GRE estimates are still subject to minor revision and adjustments to take account of the capital expenditure allocations for 1982-83 before I make formal determinations in the Report.

12. I am placing in the Library of the House copies of the material I have sent to local authorities. I shall lay the Report before the House in January.

13. In proposing this settlement the Government has taken account of local authorities' representations and we believe that in current economic circumstances our proposals are both realistic and fair. Provided that local government seeks to match our target expenditure levels, rate increases generally will be low next year. That will benefit the whole community - householders, industry and commerce.

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6 DEC 1981