



Prime Minister (2)

~~cc: JV~~

SCOTTISH OFFICE
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There seems to be a
need for a discussion at E.

2pps

MUS 29/4

27 April 1982

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
London SW1

MA

Dear Leon,

LOCAL AUTHORITY CURRENT EXPENDITURE (SCOTLAND) 1982-83:
GRANT REDUCTIONS

I refer to my letter of 21 April and to your reply of 26 April;
and to our discussion last night.

As you know, I had hoped to obtain your early agreement to the balance to be struck between selective and general abatements of RSG in the measures we take to tackle overspending by local authorities in Scotland this year. As I have made clear to you, the total figure of £60m which I proposed represents the maximum which I think can reasonably be secured, bearing in mind the limitations set by statute on the extent to which I can use my selective powers and the likelihood of adverse reaction (and possibly further legal challenge) to any substantial general abatement. I am sorry that we have failed to reach agreement, and therefore accept that it will be necessary to proceed to a discussion in E Committee.

In the meantime, as I have told you, I think that there are strong practical and political arguments for making an early start on the use of the selective powers: in order credibly to ask local authorities to cut their expenditure we must give them as early notice as possible, and there is advantage in initiating before the regional council elections this action which offers the prospect of cuts in the level of rates. We have therefore agreed that I will proceed to give notice tomorrow to Lothian Regional Council and Stirling District Council, two of the worst offenders, that I propose to take action against them. As I explained to you by telephone the cuts I would propose to make for these authorities are £45m and £1.5m respectively. These represent the amounts by which I am confident that it can be proved that their expenditure is "excessive and unreasonable" in terms of the 1981 Act - these sums are not, of course, the authorities' whole excess expenditure over the guidelines, but are the most I could expect to achieve in practical terms. I will arrange to let you see the terms in which I propose to deal with this in answer to a question for Michael Ancram tomorrow.

I hope you will be under no illusion that the use of these selective powers is in any sense a soft option. We will be asking Lothian Regional Council to make very substantial cuts in its proposed expenditure and these could well lead to many compulsory redundancies with all the associated criticism which that will draw. While therefore I remain firmly convinced that the emphasis must be on selective action rather than general abatement - and I was pleased to see in his letter of 23 April that Keith Joseph supports this view - I can only sustain the political criticism it will draw if the overall effect of my actions is broadly acceptable to local authorities in Scotland as a whole. This means that any general RSG abatement must be kept as small as possible.

I am copying this to the Prime Minister, the other members of E Committee, Nicholas Edwards and Sir Robert Armstrong.

Yours truly,

Cunze.



27 APR 1962
BIRMINGHAM