

Handwritten notes at top left: "Handwritten notes" and "S. 100/100"

Handwritten notes at top right: "cc AW" and "JV" with a checkmark



Prime Minister (2)

2 MARSHAM STREET  
LONDON SW1P 3EB

To note

MU 7/5

My ref:

Your ref:

7 May 1982

Handwritten initials "MB" in purple ink

Handwritten signature "Leon Brittan" in blue ink

LOCAL AUTHORITY CURRENT SPENDING IN 1982-3: RSG IMPLICATIONS

Thank you for your letter of 20 April.

I shall shortly be circulating a paper for discussion at the meeting of E Committee provisionally arranged for next week. My officials will be consulting yours on a draft in the usual way.

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

Handwritten signature "Michael Heseltine" in blue ink

MICHAEL HESELTINE

CONFIDENTIAL



cf AW  
JV  
Prime Minister (2) 1

DEPARTMENT OF EDUCATION AND SCIENCE  
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH  
TELEPHONE 01-928 9222  
FROM THE SECRETARY OF STATE

Ms 23/4

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

23 April 1982

*Dear Michael,*

LOCAL AUTHORITY CURRENT SPENDING IN 1982-83: RSG IMPLICATIONS  
Leon Brittan sent me a copy of his letter to you of 20 April.

I share his anxiety and recognise that we need to react effectively, but we must try to find equitable methods that we can hope to implement. In my view it would be a mistake for you to give warning of a reduction in RSG for 1982-83 until we have from officials a full analysis of local authority budgets for this year. We need to know the scale of likely overspending, its division by class of authority and by service and between volume and allowance for inflation, and also, since local authorities will not be able to levy supplementary rates this year, the extent of their balances. Without careful consideration of this information it would be premature to decide on a large across the board reduction in grant. (This does not mean, of course, that the hold-back arrangements which you announced on 21 December should not be implemented.)

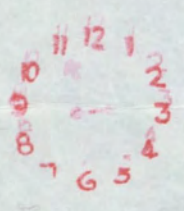
On the distribution of any possible reduction in grant, I think it is necessary that, as the Minister responsible for the largest single service which accounts for half of all local authority current expenditure, I should venture a word of warning. A good many of our supporters in the counties and districts have budgeted to spend at or below GRE, the best available measure of need within the planned total. Some other authorities are planning to spend far in excess of this level - a few, like ILEA which is responsible for one-fifth of the total overspending of £1½b, so much so as to receive no grant even under the ordinary block grant mechanisms. We should be in serious political trouble if we visited on the innocent the sins of the guilty, and I think we ought to have a full discussion in E Committee before we take any action or even make any announcement.

I am sending copies of this letter to the Prime Minister, the other members of E Committee, George Younger and Nicholas Edwards and to Sir Robert Armstrong.

*Ern. Kent*

CONFIDENTIAL

12 13 APR 1982





sc AW  
JV

Prime Minister

(2)

£1 1/2 billion overspending

this year : the LST proposes

a cut in RSG

for this year.

Mls 20/4

Treasury Chambers, Parliament Street, SW1P 3AG

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

20 April 1982

*Michael*

*ms*

LOCAL AUTHORITY CURRENT SPENDING IN 1982-83: RSG IMPLICATIONS

I understand that claims for rate support grant suggest that local authorities in England are planning to spend nearly £1 1/2 billion more in 1982-83 than the provision in the RSG settlement and the public expenditure white paper. Full details are not yet in; but it is clear that we have a major problem.

As soon as the Local Government Finance (No 2) Bill is through, you will be able to lay Supplementary Reports before Parliament to activate the systems of automatic penalties for last year and this year which have already been announced. However, local authorities should have allowed for these penalties in their budgets, so they are unlikely to have much effect on expenditure.

I am sure that we have no option but to impose further reductions in rate support grant. Otherwise we should not only undermine our position in the current year, but also make it practically impossible to stick to our plans for later years.

As you know, I should prefer straightforward selective measures against overspenders. But the local authority associations have insisted that any action should be across the board - and they have won that argument in Parliament.

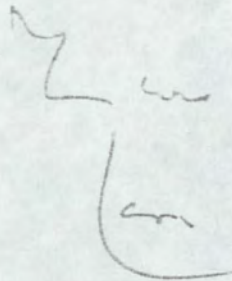
I am afraid, therefore, that we must be prepared to impose a large, across the board reduction in this year's rate support grant.

We might tilt the poundage schedule so that high spenders bear the bulk of the grant reduction.

It seems to me that we ought to give warning of our intentions as soon as possible. The extent of overspending is more or less known, because the grant claims are in. If nothing is said soon, local authorities will assume that the RSG is not to be cut across the board. If we give notice quickly, there will be time for local authorities to adjust their budgets accordingly.

I hope, therefore, that you will find an early opportunity to warn local authorities to expect cuts in rate support grant this year, and a tough settlement next. It would also be very helpful if you could suggest how you propose to implement the grant reductions. As I implied in my note of 23 March, I think it would be useful to discuss tactics soon in E Committee.

I am sending copies of this letter to George Younger and Nicholas Edwards, to other E Committee colleagues and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Leon Brittan'. The signature is written in a cursive style with a large initial 'L' and a long horizontal stroke extending to the right.

LEON BRITTAN

20 APR 1982

