



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL - CMO

Prime Minister
To note. Agree Mr Younger should
join Misc 109?

AT
24/6

PRIME MINISTER

26 June 1985

MISC109: EDINBURGH

Yes and

1. I have been following the MISC109 papers and read with interest the minutes of the meeting of 19 June. You will remember that the arrangement was when MISC109 was set up that I should report if difficulties developed with any Scottish authority which were comparable to those then foreseen, and now being positively prepared for, in England.

2. In relation to Edinburgh I am proceeding under statutory powers to seek to force a rate reduction on the grounds that their budgeted expenditure is "excessive and unreasonable". You will know that I have used such powers successfully against a number of Scottish authorities eg Lothian Region in recent years. The District Council's budgetary proposals are very extravagant indeed and the reduction I have felt obliged to press for is proportionately greater than I have ever previously sought to achieve against any Scottish District Council (and just about as large in post-revaluation terms as the sums I have previously sought from regions - who have much more scope for rapid increases in income from fees and charges). There is therefore no doubt, at this stage of the financial year, that unless the local authority take urgent steps to reduce expenditure below the very high level at which it has been running, the effect of the reduction I am asking Parliament to determine in the rate income for the whole year will be to enforce very severe reductions from whatever date the District Council choose as the start of a more sensible regime. And the longer they delay, the worse the consequences for the city will be.

3. I am answering an arranged Question today to make clear that I am sticking to my original intention to secure a rate reduction of 5.2p. I have studied the

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voluminous material that the District Council have sent me since I announced my intention and Michael Ancram and I received a deputation from the Council last week. But I see no reason to change my view as to what would be a reasonable reduction in the rate.

4. I do not think I need trouble you - nor MISC109 colleagues - with a lot of detail about Edinburgh's financial prospects. But, although the procedures are very different, the scenario could be not unlike that which is emerging in Liverpool: there could be substantial redundancies (including a number to whom the authority have recently given short term contracts), some evident reduction in services and increasing anxiety about the good financial standing of the city with potential lenders. Doubts about their standing may well be sharply increased when I announce tomorrow - what is already widely understood - that the penalty for overspending on the scale Edinburgh are committed to is going to be a total withdrawal of their RSG for the rest of the year. And the Lord Advocate is already pursuing in the Court of Session an action for specific implement of another reduction (of 1.8p) in the Edinburgh rate in relation to separate processes in the housing field.

5. In previous years when I have been using my powers in this field the authorities with whom I have been dealing have often by this stage been showing some willingness to come to their senses. It is not clear what Edinburgh's attitude is going to be but at present I judge them to be much more recalcitrant.

6. I think it follows that I could quickly find myself with a situation in which I had to consider whether it would be an advantage to be able to contemplate appointing Commissioners. I should therefore want to consider whether the legislation Patrick is preparing should be extended to Scotland - which may not be at all straightforward. My officials are getting in touch with his accordingly.

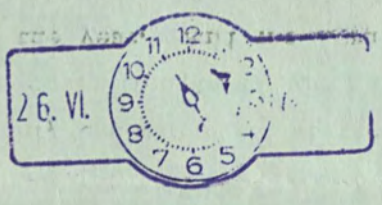
7. I thought you would wish to have this interim report.

8. You may agree that I should be represented at the meeting of MISC109 next week.

9. Copies go to the members of MISC109, to Sir Robert Armstrong and to Kenny Cameron.

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