

From **SIR HORACE CUTLER, O.B.E.**
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The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London, SW1

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Dear Margaret,

I very much regret having to write to you about the Local Government Bill. I am, however, alarmed by indications I have from colleagues that, even after all the efforts of Michael and his Ministers during the Recess, the Bill to be brought into the Commons does not materially differ from the Bill withdrawn from the Lords in two significant respects. These are the rate support grant proposals and the capital spending controls. If my understanding of the present form is correct, I think that the Party is in for very great trouble - both in the immediate future and later, when the provisions begin to bite locally.

Peter Thorneycroft's invitation means that I must raise this at today's meeting of the National Executive. I shall try to do so with restraint but there should be no doubt about the strength of feeling I detect around me.

We must remember what we are trying to do. Local government has not a bad record in responding to Government in containing, (and even expanding), its current expenditure generally or on specific services. Even Michael has 'expressed confidence in the ability of local authorities to adjust to lower levels of expenditure as they had demonstrated they could do in 1976-77'. He also said, and again I quote from the Consultative Council, 'Government is fully conscious of the need to preserve the goodwill of local authorities generally'.

If in trying now to control a very small number of authorities we were to concentrate on change from one year to the next, an elaborate central machinery would not be needed. The offending authorities would identify themselves by their own actions, the Government would not be the initiators of widespread differences of opinion and potential conflict, and action would concentrate on the wrongdoers and leave alone the vast majority of compliant authorities. The indiscriminate sledge-hammer designed to crack a nut will hit friends as well as others and is not consistent with statements, again quoted from Government in the Consultative Council, that 'measures.....would come into effect only if individual authorities abused the trust put in them'. Only 'a tiny handful who deliberately flouted Government policy' would be affected.

The absurdity of the process now proposed is well-exemplified in London. On recent internal Government exemplifications the City of London appears to be spending more than four times the amount it should. If that is explained away by Government in the future as it will have to be in terms of the special features of the City of London, the Government will be seen to be partial. Many other local authorities regard themselves as special, particularly in London, and it is just not possible to be seen to be dealing fairly with each one of them on the basis of a single central process. Without an unacceptable arbitrariness it is not possible to define or hit authorities which intuitively merit the label of over-spenders even if local government is prepared to accept the major shifts in autonomy and accountability involved in what is now described as a new block grant.

On capital spending, we seem to be seeking a Treasury counsel of perfection, again without having counted the cost of a central bureaucracy or of a shift of responsibility.

The Bill is bound to be opposed by the Opposition; urgent though its reintroduction may be, it should at least start with the greatest possible degree of unity on the part of those who support the Government. Time should be found now to ensure that only defensible propositions are put forward in Parliament. Although this may be more difficult today than it was yesterday - because so much seems already to have been said in Parliament on the Rate Support Grant Order - I hear the alarm bells ringing too loud and clear for comfort.

With very best wishes
Yours sincerely
Horace.

(SIR HORACE CUTLER)

PS I am copying this letter to Michael Heseltine and Lord Thorneycroft

