

Prime Minister

LOCAL GOVERNMENT

1. I have seen Peter Thorneycroft's note to you of 15 November. I should like to comment briefly on the main points.

2. I agree with Peter Thorneycroft about the importance of local democracy and the need to remove unnecessary central government control. But I cannot accept the interpretation of my actions towards local government since taking office. Local government is about rate-payers and voters as well as local councillors and their officials. And all our proposals have been considered in the appropriate Ministerial Committees after personal discussion with our local authority association leaders. Tom King and I have also met a wide range of individual authority leaders.

3. Local government has grown ever-larger over the last generation. It now employs about one twelfth of the work force and accounts for about one quarter of all public expenditure. Many elected councillors understand imperfectly the system for which they are responsible. Too often, Treasurers rather than elected members fix the rates. Even less do ratepayers and voters understand what is happening within local government. Like so many British institutions, in both the public and private sectors, there is not enough real accountability.





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4. My approach has been to define what national government should do - and we were elected to determine national priorities no matter how unpopular - and then let local government get on with it on a truly accountable basis. I think this is evident in all the initiatives to which Peter Thorneycroft refers.

BLOCK GRANT

5. The present rate support grant system is indefensible - only a tiny handful of people inside and outside my Department understand it; it stimulates local government expenditure; it is deeply resented by our own councillors because profligate authorities are able to increase their grant at the expense of others.

6. The new block grant system will be more understandable to the ratepayers, although naturally some of the mechanisms will be complicated since we are trying to be fair to nearly 500 local authorities in different circumstances. It should certainly stop overspending authorities gaining at the expense of others; indeed it will discriminate against them. The amount of grant individual authorities will get will be determined by a better form of needs assessment and standard rate poundage schedules. I have deliberately not tied our hands on these two variables in the Local Government Bill. They will be the subject of intensive consultations with the associations.

7. I believe that the criticism which exists at present among our own local authority supporters is based on doubt and fear of the unknown, which I hope to remove during



the process of consultation. And, over the last 6 months, Tom King and I have discussed this issue with the leaders of the associations. They have been kept fully in touch with our proposals and have influenced their content.

#### PUBLICATION OF INFORMATION

8. The Local Government Bill will also include provisions requiring local authorities to publish information and periodic reports about the performance of their functions. This is crucially important. I believe that, like block grant, these provisions will increase the accountability of local authorities and will act as a spur to increased efficiency. For the first time all ratepayers and voters will be in a position to compare cost and performance of their own authority with similar authorities. I want also to achieve similar comparisons in some of my own Department's activities, eg on handling planning cases.

#### CAPITAL CONTROLS

9. I have gone forward with the proposal in the Bill for controlling local authority capital expenditure only after much thought. I believe that we must have this power as we face a period of severe restraint in local authority expenditure. The last Labour Government tried, but withdrew in the face of fierce opposition from local government.



But our proposal is different. We propose - by way of "quid pro quo" - to relax specific project controls, to allow scope for capital receipts to supplement capital allocations, and to allow for virement between major blocks of expenditure.

10. Local government may believe that we have not conceded in our consultation document enough freedom within the proposed capital control system. This will be the subject of consultations. I am anxious to give the authorities as much room for manoeuvre within the capital control system as possible, subject to the agreement of colleagues.

#### RATES

11. We committed ourselves to the abolition of domestic rating in our Manifesto, although we made it clear it would have to take lower priority than reduction in income tax. Consequently, we cancelled the rating revaluation during 1982 and will be giving legislative effect to this - together with operational adjustments to the rating system - in the forthcoming Bill. But nothing we have so far done pre-judges the issue. Public expenditure problems still lengthen the time-scale within which we must take decisions. And we will only make progress after careful thought. I am proposing to set up a Working Party to look at this. When it has completed its work next year I will put a paper to colleagues. If we decide that there is an acceptable alternative to rates and if we decide to legislate, we should most certainly enter into detailed discussions with our party colleagues in local government before we reach final decisions.



UDCs

12. I know that the proposal for Urban Development Corporations has been criticised by some people - especially those who will lose power. This is perfectly understandable. But proof of the pudding is in the eating. Local government has not been able to provide the machinery for tackling the problem of such large scale urban decay effectively because of internal tensions. I enclose a copy of Oulton Wade's private assessment. I fully agree with his views.

OTHER ACTION

13. I am also taking every opportunity to clear the path for local government within the framework of national policies. The flood of Whitehall circulars has dried up to a trickle. I have put in hand a review of Statutory Duties designed to weed out those which are no longer relevant and preserve those which are useful, on the basis of as much freedom for local authority decision as possible.

CONCLUSION

14. I have reflected long and hard on Peter Thorneycroft's letter. I can see that some of the measures I have in hand could be represented as a shift of power from local to central government. But I would make two points. First, I recognise that a future central government unsympathetic to local government could use these measures



in a more 'centralised' way than we envisage. But such a government, if so inclined, could pass its own 'centralist' legislation to achieve this end, whatever we do now. And we have seen that the Labour Party used the existing system for its own purposes. Second, I believe that the relationship between central and local government which we inherited is unhealthy because the roles of central and local government have become obscured. I think that the new measures will clarify the position, and will make central and local government more accountable to their respective electorates. I therefore am convinced that we have much to gain and little to lose.

15. We need to turn around attitudes to and in local government as an integral part of our economic strategy. The Bill to be published next week is part of that process.

16. I am copying this to Peter Thorneycroft and to the other recipients of his letter of 15 November.

*WJH*

MICHAEL HESELTINE

*21 November 1979*



12th November, 1979

Comments on Proposals for Merseyside U.D.C.

Proposals have the support of Industrialists and Small Businessmen in Merseyside.

The Conservative Group of the Liverpool City Council are generally in favour.

Many Conservative Merseyside County Councils favour the plans privately.

The Mersey Dock and Harbour Company are now privately in favour of the proposals.

Publicly the Mersey County Council are against the proposals and the Mersey Dock and Harbour Board are still publicly expressing their lack of enthusiasm.

Sir Kenneth Thompson is officially against the proposals but on the other hand has always been a strong believer in Planned Development of the Dock area.

The Development of Merseyside and Liverpool has long been plagued and held up by petty squabbles between the various factions concerned:

City Council  
County Council  
The Docks and Harbour Board  
Economic Bodies  
Outside Authorities

There is complete planning stagnation in the Area.

To be effective the new U.D.C. :-

1. Must be free of all Local Planning Controls.
2. Must not create its own planning restrictions.
3. Give full support and encouragement to any application it receives to establish businesses.
4. Sell off the derelict land at current market price, that is by auction.
5. Provide the best possible communication system from the Development Area to the rest of the Country.
6. Ensure that new businesses and any developments are not hampered and delayed by lack of Co-operation from the Water Authorities, Electricity Boards, Gas Boards and any other Statutory Boards and Authorities.
7. Because of established positions of many of the existing Official Bodies on Merseyside the U.D.C. should be run by men not previously associated with these Bodies or who represent particular interests.

There should not be for example the statutory CBI man; the County Council Man; the TUC Man or a Social Worker etc.

The U.D.C. should be run by men picked on individual merit only.